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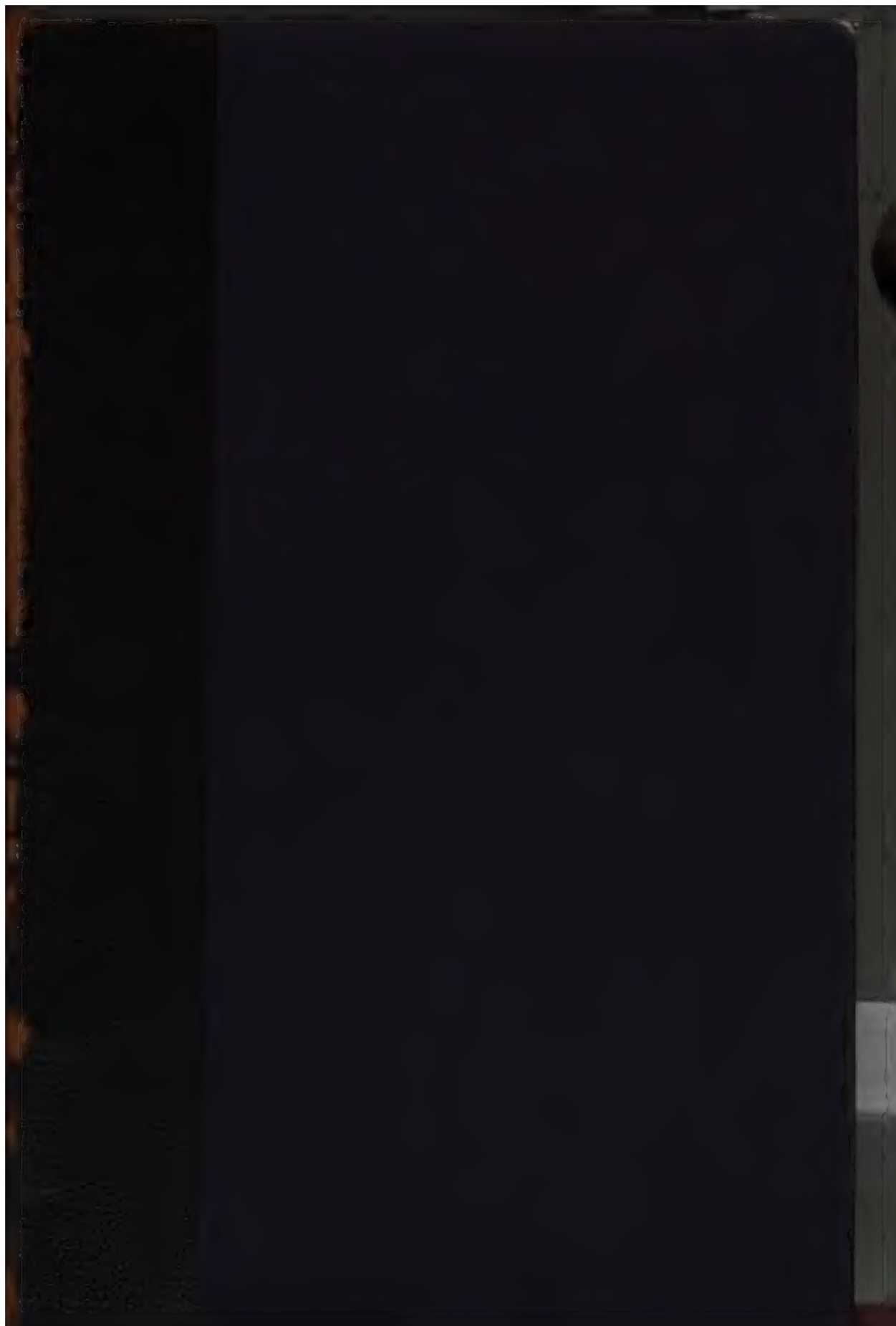
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A QUARTERLY JOURNAL FOR THE SCIENTIFIC DISCUSSION  
OF ECONOMIC, POLITICAL, AND SOCIAL QUESTIONS.

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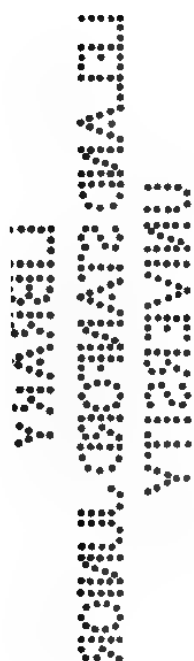
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COMMENT.

*The Rockefeller Gift; Our Commercial Relations with Germany.*

THE gift of Mr. Rockefeller to the American Board of Foreign Missions has brought forth a lively discussion as to the propriety and advisability on the part of charitable organizations of accepting gifts of "tainted money." Entirely aside from the question as to whether Mr. Rockefeller's money is "tainted," the problem here presented is of considerable interest not only from an ethical but from an economic standpoint. Thus far the discussion in the press and pulpit has been almost exclusively "ethical." The economic question as to the actual effect of a policy of systematically rejecting "tainted money" has scarcely been touched upon. Practical men will always frame their policies with reference to the probable outcome. There is no practical wisdom in rejecting gifts merely for the satisfaction of slapping the giver in the face. If any other benefit can be expected from the policy of rejecting "tainted money," what may it be?

The nearest approach to an answer to this question has been that the acceptance of a gift from a corrupt source ties the hands and tongues of the recipients. It must be remembered, however, that gifts to charitable organizations are not gifts to the officers of those organizations but to the beneficiaries for whom those officers act as trustees. It is doubtful whether any officer in the American Board or any Congregational clergyman would feel the slightest reticence about criticizing the Standard Oil Company because its largest stockholder had entrusted to them a donation for the sake of educating foreigners. In fact, that



they would not is evidenced by the undiminished flow of pulpit denunciation which has followed the acceptance of Mr. Rockefeller's gift.

It might be contended that a continued policy of rejecting "tainted money" would discourage the accumulation of that particular species of wealth; but such a view is chimerical, for it is not likely that a young man who is intent on becoming rich would refrain from any rascality because of the remote possibility that some day he might wish to give away his wealth and find himself unable to do so.

It is difficult, therefore, to discover any practical benefit to be expected from the policy of rejecting ill-gotten wealth. But it is easy to see very definite and serious harm which may result from such a policy. Should it become the custom to scrutinize the moral history of prospective donors, there can be no question but that the habit of giving away fortunes, which has become so prevalent, would receive a serious check. Even millionaires, who themselves believe their methods above criticism, will not relish the idea of having them reviewed before a critical and unreasonable public. Men of great wealth are often peculiarly, even unreasonably, sensitive on the subject of their millions, as is shown by the fact that mere newspaper criticism has sometimes led them to change their residence in order to become less disagreeably conspicuous.

If we grant that the policy of classifying donors into "righteous" and "wicked" will discourage giving, especially from the "wicked," the consequence must necessarily be that wealth will be less diffused and more concentrated, and, what is worse, it will be most concentrated among precisely those who least deserve to have it. To refuse to relieve the wicked of their surplus wealth is thus on a par with the Quixotic proposal of a socialist orator who, denouncing the Bank of England, excitedly told his hearers, if any of them should ever chance on a bank note issued by that hated institution, to *burn* it at once!

The custom of giving away surplus accumulations has to-day reached in America greater proportions than it ever reached before at any time or in any place. We see in this custom a hopeful antidote to the tendency toward undue concentration of wealth. It is often said in Boston that no wealthy man dares



to die there without leaving something to Harvard College, and one of the wealthiest and most philanthropic Americans is quoted as stating that it is a disgrace even to die rich. To further such sentiments is one of the best means of meeting the menace of an American plutocracy. To destroy or diminish such sentiments can only tend to fasten that plutocracy upon us.

The informal notice of the German Government looking toward a denunciation of the commercial treaty with this country, so far as the question of most favored nation treatment is concerned, offers an opportunity to the autocratic "stand-patters" to show how far they are prepared to go in assisting European agrarians in the work of destroying the market for American food-stuffs abroad, and at the same time emphasizes the anomalous nature of our treaty relations with the Empire. These are still based upon the old treaty of 1828 with Prussia, for the Saratoga convention of 1891 lost its force when the clause of the McKinley Act on which it rested was repealed, and the commercial agreement of 1900 was strictly limited and of little practical importance. The anomaly lies in the fact that that treaty is interpreted very differently by the two governments. In the first place the Imperial Government, since its formation, has generally accepted the treaty as applicable to the whole Empire, while our own government has clung to the interpretation that it is still of force only in regard to Prussia. Secondly, and of more importance, the most favored nation clause has been accepted by Germany in the Continental sense, which has never been recognized in this country. The Continental principle has been that any tariff concessions made by one country in return for similar concessions by another were *ipso facto* extended to all other countries with which most favored nation treaties existed, regardless of any concessions on their part. The importance of this principle in reducing tariff barriers and stopping tariff wars can hardly be exaggerated. The treaties made by various nations between 1860 and 1870, which marked the so-called "free-trade era," were not individually of a very sweeping character, but under the action of the most favored nation clause, each individual concession became

practically universal. Consequently, when the Caprivi treaties went into force in 1892, the lowest rate in each case became practically a new general duty and the United States received the same treatment as others, the reductions on grain being of chief and vital importance. This action may have been influenced by the Saratoga convention, but was adopted primarily as a necessary extension of the most favored nation principle. The United States, on the other hand, has consistently maintained the strict reciprocity idea that a treaty made with one country for mutual tariff reductions does not apply to another country, even where a most favored nation treaty exists, except in return for similar favors. When, for instance, it was discovered that the treaty with Switzerland was so worded as to recognize the Continental principle, the treaty was promptly abrogated. So far as our relations with Germany are concerned, the treaty of 1828 contains one clause (V) providing for most favored nation treatment in general terms, and another clause (IX) specifically upholding the American idea that a favor granted to any third nation shall become common to the other party of the treaty, "freely, where it is freely granted to such other nations, or on yielding the same compensation where the grant is conditional."

It appears, then, that our relations are determined by a treaty which, for the moment, is interpreted more favorably for our interests by Germany than it is by ourselves. According to our own theory, Germany would be justified in refusing to us the concessions made under the new reciprocity treaties, and the abrogation of the treaty with the United States is entirely unnecessary. May it not be that the motive behind the proposed policy is deeper than the mere desire to preserve consistency in the German interpretation of the treaty, and is rather to remove every restraint in the way of a direct discrimination against American imports? The ingenious way in which some schedules have already been devised to the prejudice of American exporters suggests this. In fact, the much discussed central European alliance against the United States seems to be already in progress, not by means of what might be called a tariff "trust," as at first suggested, but rather by the more up-to-date policy of "harmony of interests."

The new German tariff was passed in December, 1902, but its operation was suspended until the arrangements for reciprocity

should be made. Treaties have now been arranged with Russia, Austria-Hungary, Switzerland, Italy, Roumania, Servia, and Belgium, and the new tariff and the treaties are to go into effect together March 1, 1906. The system, though not strictly that of a maximum and minimum tariff, comes to much the same thing. The original tariff provided for general rates and then, in the case of many commodities, fixed minima below which the government should not go in negotiating treaties. The original rates, where unmodified, and the lowest rate of *any treaty*, where reductions have been made, thus constitute a new general schedule for all countries enjoying the privilege of most favored nations. The original rates constitute a general schedule for all others.

So far as the agricultural exports of the United States are concerned, even the minimum duties are higher than those of the existing tariff in most cases, while the maximum duties are much higher. On wheat, for instance, the present maximum is  $32\frac{1}{2}$  cents per bushel, but we enjoy the treaty rate of  $22\frac{2}{3}$  cents. By the new arrangement the minimum treaty rate will be about  $35\frac{1}{2}$  cents, while the maximum, which will be charged on American wheat, will be  $48\frac{1}{2}$  cents per bushel. On corn the new maximum will be  $32\frac{1}{2}$  cents, more than treble the present rate, while the treaty rate will be but 19 cents. Similar changes are made on other agricultural and packing products. It cannot be doubted that these discriminations against American products as compared with those of Austria-Hungary and Russia will prove injurious in the extreme.

It remains then to be seen what action will be taken by this government in the next ten months. President McKinley was far-seeing enough to realize, even from the protectionist point of view, that our commercial relations would reach a stage where the foreign market would be as important a factor in our policy as the home market; and the chief hope of a more enlightened policy lies in the growing demand of the producing interests for protection by reciprocity. There is good reason to suppose that the present administration also appreciates the situation. The "stand-patters," however, have bossed the situation for so long that there seems little hope of enlightenment on their part, but if they continue to block administration efforts in this direction, in face of European aggressiveness, it may be predicted that the men of the Mississippi valley "will know the reason why."

## THE INDUSTRIAL PROGRESS OF GERMANY.

### I.

THOUGH Germany cannot rival the United States in power and rapidity of economic growth, yet the development which economic life in Germany has passed through in the last century, and especially in the last generation, is mighty, and is surpassed by that of no European power. It will be well worth while, therefore, to put together the figures bearing upon this subject, and make them accessible to American readers, and in particular to seek the reasons which have led to this development in Germany. The interest for Americans lies mainly in the comparison.

### I.

Germany is a land of an old civilization, yet its population has more than doubled since the beginning of the nineteenth century. In 1816 23,833,000 people lived on the territory of the present Empire. In 1904 there were 59,495,000, and these 60,000,000 live to-day in decidedly greater comfort than the 25,000,000 one hundred years ago. We may assume that the average income of one person in Germany was as follows:

1840 .....	241 marks.	1900 .....	650 marks.
1870 .....	372 "	1905 .....	700 "
1895 .....	506 "		

The economic power of Germany measured in foot tons daily was as follows:

	Hand Power.	Horse Power.	Steam Power	Total.	Foot Tons per Inhabitant
1840 .....	2,700	7,500	160	10,360	310
1860 .....	3,200	9,100	3,400	15,700	415
1895 .....	4,260	11,500	30,600	46,360	900

And precisely from 1895 we date a new brilliant period of economic progress. The motive power has almost doubled again in the last decade. In the Kingdom of Prussia, which covers three-fifths of the Empire and is typical in industrial respects, the number of horse-power in stationary steam engines was in

1896 .....	2,534,000	1904 .....	4,430,789
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This rapid progress may also be gauged by the figures showing the foreign trade. Germany's external trade exports in millions of marks was as follows:

1830 .....	660	1900 .....	10,376
1860 .....	3,200	1903 .....	11,500
1890 .....	7,472		

Germany, therefore, stands to-day in the first rank among the modern industrial states. It rivals Great Britain, which it has, in some respects, already distanced, and the United States, by which it is being distanced in many respects in recent years. As a matter of comparison I quote some figures from which we may judge of the degree of intensity of economic life, and in which we may see the position of Germany among civilized states. The figures refer generally to the year 1903.

The production of hard and soft coal was as follows:

U. S. A. ....	323,681,000 tons.
Great Britain .....	234,020,000 "
Germany .....	162,312,000 "
France .....	34,318,000 "

The production of pig iron was as follows:

U. S. A. ....	18,298,000 tons
Great Britain .....	10,018,000 "
Germany .....	8,952,000 "
France .....	2,828,000 "

The number of parcels and letters sent through the post office was in 1901 as follows:

U. S. A. ....	7,536,996
Great Britain .....	3,832,400
Germany .....	3,735,287
France .....	2,089,961

The density of the railroad system may be obtained by figures showing the length of railroads for one hundred square kilometers. This was in

Great Britain .....	11.3
Germany .....	9.9
France .....	8.3
U. S. A. ....	4.2



The external trade expressed in millions of marks was as follows:

	Imports	Exports
Great Britain .....	9,649.7	5,932.3
Germany .....	6,002.7	5,014.6
(1904) .....	6,788.8	5,259.4
U. S. A. ....	4,233.4	5,847.4
France .....	3,719.1	3,335.9

The question forces itself upon us: What has caused this powerful development of Germany? In tracing this we must, of course, disregard those factors which operate uniformly for all modern states, above all, therefore, the triumphs of modern technical science. There thus remain two factors of preëminent importance, the country and the people. I shall try in the following pages to explain the importance which the land and the people have had for the economic development of Germany, following, in the main, the presentation of the subject in my book entitled "*Die Deutsche Volkswirtschaft im XIX. Jahrhundert* (Berlin; George Bondi; 1903).

### III.

It is not an easy task to describe the territory of the German Empire in its significance for the economic advance of Germany in the nineteenth century, for that which first presents itself to the attentive observer as he looks over the map, or when his journeys or his domicile bring him to the various parts of the great Empire, is the extraordinary variety in the geographical formation of our Fatherland.

The great contrast between highland and lowland is what especially distinguishes Germany from other countries. In no other section of Europe, as has been well remarked by the distinguished authority on the German country, Rutzen, is there such a peculiar vertical conformation, in none is there such a contrast between the separation and the proximity of two halves, one of which is almost flat, while the other is almost wholly filled with mountains and plateaus. Russia and Poland together consist of a single vast plain of fields, forests and steppes, which is only occasionally broken in the interior by a few rows of

hills and benches, and is bounded by high mountain ranges only at the distant frontier. In France, too, where the formation is like that of a chess board, the plain preponderates, although there is no lack of mountains; but only one of these ranges, that of the Cevennes, is in the interior of the country; the others lie on the frontier. In Spain a great plateau preponderates, crossed and surrounded by chains of mountains, which leave almost no room for wide plains. The Balkan peninsula is filled with mighty mountains which reach out in all directions into larger and smaller arms, and in that way create a network of endless small hills and plains. Likewise in Italy the long chain of the Apennines runs through the country, throwing out branches to the right and to the left which again branch, and it is only in the north that the country broadens out into a fairly large plain. The mighty fissured mass of rocks of Scandinavia is mountainous in the north as well as in the south, with little opportunity for extended plains. Finally England has, it is true, in the west more the stamp of a mountainous country than in the east, but even the former is mainly a hill country. The comparison of Germany with the other countries of Europe teaches us at the same time that in all these there prevails a certain natural form of the surface, while in Germany the greatest variety exists. We find here a rich alternation of harmoniously arranged high mountains, high plateaus, and terraces, with a great variety in its rivers; while there are also hill countries of all kinds and broad plains. We find here the lowland of the Slavic east, the peculiar alternation of hills and rolling plains of the British Isles, the surprising variety of the Greek, the regularity of the Italian, and the mountainous character of the Spanish peninsula. Germany is, therefore, above all other countries endowed with the character of Europe in general, which does not, like other parts of the earth, contain a definite prevailing type of its own, but rather a combination of all the superficial formations of these in the greatest variety.

But in order to fully characterize Germany we must add this: it is true that it contains something of everything, but everything in a modest mediocrity. One may concede that without ceasing to love the country of one's home. The Samoyede loves



his country covered with ice and rubble upon which he has experienced love and pain, upon which he has raised his flock, not less—indeed perhaps more—deeply than the Swiss loves his beautiful mountains, the Campanian his Valley of the Liris. But what Theodore Fontane has said of Brandenburg is still true of such strips of land as the German Empire embraces—one must have been born there to love it. We lack the perfectly beautiful as well as the grandly desolate or terrible in our landscapes. We have nothing of the monotonous infinity of the Russian steppes, over which summer and winter alike exercise their despotic sway; we have nothing of the majesty of the fiords of the Northlands; we have nothing of the sunshine and the warm fragrance of France; we have nothing of the full, quiet beauty of the blue South. Only where the sea roars, upon the endless dunes, and at eventime on the blooming heath is there a touch of the grand in our Fatherland. But this is not enough to characterize it.

As is the land so is the atmosphere. All observers of the climatic conditions of Germany agree that its climate is distinguished for a healthy mediocrity which is equally removed from the extremes of the winters of the north or the summers of the south—a "middle climate," to adopt the expression of Rutzen, whose peculiarities may not be unknown to the reader. It would be of little use to give figures regarding the average temperature, precipitation, and things of that kind. What does it profit us to know that the average yearly temperature in Breslau is  $8.3^{\circ}$  and in Frankfurt-on-the-Main is  $9.7^{\circ}$  Celsius, or that the mean temperature in Dresden is  $-0.2^{\circ}$  in January and  $18^{\circ}$  in July? Let us remember that in Germany it is generally colder in the winter than in the summer, that it is colder in the north than in the south, and that the extremes of temperature are greater, the farther we are from the sea. Figures regarding the duration of the sunshine are also of little value. Can we get any idea from the statement that in Marggrabowa the sun shines 1,742 hours in the year, while in Poppelsdorf near Bonn it only shines 1,618 hours? There is more meaning to the comparative figures. These 1,742 hours are 39 per cent., the 1,618 are 36 per cent., of the possible hours of sunshine.

Nowhere in Germany does the sun shine half of the time during which it stands in the sky. In the greater part of the districts it shines only for a third of the time. Thus the world generally looks gray to the German, full of clouds and fog. And think of the rain which also is distributed over the whole year, with the preference, however, for the summer. In July it rains in almost all districts of Germany two and three times as much as in the winter, spring, or autumn months.

But it may be objected, what has this to do with the economic life of the country? Much more than the first appearance would seem to indicate. Landscape and climate are significant in that they exercise a controlling influence upon what we may call economic energy.

The rugged climate creates a demand for a larger mass of economic goods, and, therefore, the necessity of producing them. The Lazzarone, who, covered with rags, suns himself comfortably upon the pavement of the Chiaia, and whose daily rations consist of a handful of chestnuts, an onion, and a melon, is much less goaded by the bitter struggle for existence than the son of the north, who must provide himself with warm clothing, a storm-proof dwelling, and a more concentrated diet. The sorrowful thought that man must work, indeed that he has been brought into the world for no other purpose, is much more difficult to implant in the mind of a careless southerner than in that of a hyperborean sorely troubled for his daily bread. But it is also much easier for the latter to accustom himself to wear the yoke of labor. What can he do for the greater part of the year in such a country as Germany unless he works? Nature fairly compels him to occupy himself with something. While in the laughing south the sun constantly tempts one to *dolce far niente*, the moderate north acts as a stimulant of energy by making uninterrupted activity easier. And upon this rests a great part of economic success. Extreme cold as well as extreme heat create an impediment to steady work which it is difficult to overcome. But the climate determines the processes of economic life much more immediately by the limits which it imposes. It determines, as every one knows, the kind of products which agriculture in particular can bring forth, and

in that way again determines the volume as well as the quality of the food of the people.

Besides the climate the character of the soil comes into play. This is hardly anywhere in Germany of such a character that we can say that it is above mediocrity. We have no land adapted to wine, vegetables, and fruit extending over whole provinces as in France or Italy, but only little scraps of it in the Valley of the Rhine and in some parts of southwestern Germany; we have no meadow land of great extent with a moist climate to furnish an easy support for the raising of cattle, for the fertile lowlands of northwestern Germany with their eighty-one (German) square miles are not to be compared with the corresponding districts of France or England; we have no endless areas of fertile alluvial land capable of producing grain in luxuriant quantities like the black earth country of Russia. On the other hand, we have a lot of sterile clay and sand country of such an extent that it suffices to bring the natural average productivity of German agriculture below that of the greater part of the civilized states. This is especially true of that state of Germany which covers the greater part of northern Germany, the Kingdom of Prussia. The situation of the German Empire as a whole may be a little better, but not very much. For Prussia we have the conscientious compilations of August Meitzen and his collaborators in the great work on the land and the agricultural relations of the Prussian state. According to that work in Old Prussia as it was before the conquest of Hannover, Hessen-Nassau, and Schleswig-Holstein, the proportion of infertile land to the whole area was about two-fifths. The unproductive clay, sand, and moor lands amounted to about 42.9 per cent. In the "blessed" Rhineland these were even 46.6 per cent., almost as much as in the province of Brandenburg, where more than half of the area (52.6 per cent.) belonged to this category of comparatively poor land. About one-third (34.4 per cent.) of the arable land in the Prussian monarchy was described as medium land, and only one-fifth was considered to be good land. If the whole arable land is divided into eight sections according to its net yield, it appears that almost one-half (46.1 per cent.) of the cultivated land in the Prussian

monarchy of the present day belongs to the two lowest classes, that is, to those that yield less than three marks net per *morgen*, and almost three-fourths (73.8 per cent.) belongs to the three lowest classes, which yield less than six marks. If we distinguish the various kinds of land of the Prussian state according to their geological nature, we find that alluvial land does not amount to quite one-tenth of the whole area (7.5 per cent.), that less than one-quarter (24.4 per cent.) is made up of mountains, somewhat more than one-quarter (27.9 per cent.) of diluvial hills, while about two-fifths (40.2 per cent.) consists of sand plains and moor. Think of it, two-fifths of the whole country.

If in such a poor country the population increases (and we shall see that the races which inhabit Germany show great fecundity), but two things remain, apart from improving the art of agriculture. Either the people must leave their homes and colonize foreign countries, as the Germans have done on a large scale, or they must use an increasing proportion of the national productive powers in such a way that these defects of natural endowment shall be, to a certain extent, made good. That can be done, however, only by a corresponding development of industrial activity, by which the products of the land which are lacking are either dispensed with or drawn from other countries. Generally we think only of the latter alternative, and as a rule in the form of an exchange of commodities. The phrase has been used: Germany must export either men or merchandise. This is too narrow a view. A country can, in the beginning, draw products from foreign countries without sending its goods in return, if it can make these countries tributary to itself. This is done in modern times mainly by means of credits. But a country can also make good its lack of natural fertility, in part at least, by supplying its wants without appealing to the generosity of nature as shown in the production of plants. How that can be done by a corresponding development of the technical arts will be shown later. In the meantime I will explain what I mean by a few examples. If, in the place of horse railroads, I introduce electric roads, I save horses. I can, therefore, use the land that has been devoted to their breeding and support

in another way, such as in the production of food stuffs. The same is true if I build iron ships in the place of wooden, if I use for the production of dye stuffs tar instead of plants, etc.

The question now arises: Is Germany by nature favorably situated to carry out its development in the direction indicated? For instance, by throwing the weight of its productive activity into the industrial domain. The answer must be favorable. Nature, which has endowed it so sparingly with the gifts of soil and climate, has substituted for these a series of advantages of another kind, which are able to give it, both in the present and in the immediate future, a rich compensation for the poverty of its land. It can do this as long as the industrial arts are based upon the use of coal and iron, that is, in a period in which steam is the favorite motive power and iron the most practicable building material. In this period, which has been running for about half a century, the height of Germany's industrial development is reached, which will come to an end if electricity shall take as commanding a place as does now steam, and, therefore, those countries come to the front of the world's stage which have the greatest and the strongest natural water power, such as Sweden. But that question has not yet come up. Our age is the age of coal and iron, and it is, at any rate, this period of German life that we are reviewing. For this period Germany can claim natural advantages as against other countries. I mean especially the rich treasures of coal and iron ores which the German country contains, and from which a flood of wealth has been poured over us in the last generation. I shall not weary the reader with a detailed enumeration and description of the various deposits. He needs only know that the most important coal regions of Germany are the following:

(1) That of Upper Silesia, noted for the thickness of its strata, amounting sometimes to fifteen meters, which lie near together and are very rich.

(2) The Rhenish-Westphalian region, which has thus far been the most productive; it supplies about half of the coal produced in Germany.

(3) The region of the Saar.



The other deposits are considerably less important. But coal is also found in the neighborhood of Aix la Chapelle, in the Kingdom of Saxony, in the Waldenburger mountains, and in some other regions. I need not explain why this natural geological formation, which is found in several parts of Germany, must be of immense advantage for the development of Germany. It is not only that coal and iron are produced. They are obtained cheaper than in a country like Italy, which must draw these important materials of modern industry at great expense from a distance.

We see, therefore, in the coal and iron beds of Germany the reason why German economic activity has taken such a decidedly industrial turn during the second half of the century. We also see in this a reason for the intensity of its capitalistic development, for the mining industries are the real creators of modern capitalism, which draws from them its greatest power. For a country that develops its industry either not at all or feebly will proceed, on the whole, more slowly upon the way of capitalism. But Germany's soil is rich in other minerals than coal and iron, on which precisely in the nineteenth century many important processes have been built up. Thus in 1852 the discovery of clay marl beds on either side of the Oder furnished a material well suited to the making of Portland cement, which now supports 140 cement factories with a yearly production of 30,000,000 barrels. No less important are the numerous deposits of potash-salts at Stassfurt.

But the treasures hidden in the bowels of the earth are not the only things through which nature determines the qualifications of a country for industrialism. No less important is another side of its natural formation, which we may call by the general term, its viability. For it is evident that the development of industry has, as its necessary condition, first a mechanical, then a territorial and a national differentiation of industrial life. We now ask: What has nature done for Germany in this respect?

The answer will be different according as we think of a territorial or a national differentiation of labor. The conditions for the former are found in a high degree in Germany. Especially

since the introduction of steam power, which in commerce takes the form of railroads, Germany has become, particularly in the north, where the land is generally flat, the model of a well equipped commercial region. The fact that, during the past generation, the center of gravity of German economic life has moved from the south more and more to the north is explained to a large extent by the ideal accessibility of the latter region. But the natural means of communication, especially the rivers, are also by no means unfavorably disposed in Germany, and can easily be developed by artificial connections to an ideal system.

Compared with Italy, France, and England, Germany is especially endowed by nature to be an inland country. The small development of its coast line indicates the same thing. This fact, in connection with the formation of the coast, which is so unfavorable to navigation, on account of the existence of a double coast and the paucity of good harbors, makes Germany especially unfitted for transmarine commerce. On the other hand, Germany seems destined by nature to an inland trade with the other European states. Germany's future lies on the land. It has been called, not without justification, the Middle Kingdom, for indeed it is geographically almost the heart of the European map, the natural path through which all streams of commodities and men must pass to the different countries. Whether you draw a line from Stockholm to Rome, or from London to Constantinople, or from St. Petersburg to Paris or Madrid, all traverse the German Empire, which is again distinguished by mediocrity, to use the word in a less derogatory sense.

Therefore the interior viability well compensates for the inaccessibility of its coast, though this latter, as we well know, has not been able in our time to hinder the development of an active trade by sea. This consideration should, I think, convince us of the following fact: the natural conditions of a country can determine its economy only to a limited extent. There are other more important factors which must be considered as the really determining ones. Is it not indeed surprising that so powerful a state has arisen in such a forlorn country as is our



dear home in spite of the few deposits of coal, iron, and potash; a state whose position in the council of nations is respected, whose expansion in wealth has been envied during the past generation? Is it not wonderful that, in the midst of this sand desert, of which we have already given several samples, a city should arise which, while it cannot equal the older cities of Europe in beauty and culture, is yet beginning to rival them in wealth and activity. It is impressive to see such greatness grow from such imperfect nature. As a symbol of this new powerful Germany and its development, I should like to take the well-known poster which Sütterlin designed for the Industrial Exhibition held in Berlin in 1896, the muscular giant fist arising from the desert and swinging a titanic hammer to the skies. It is the hand of man which has, as it were, created a great empire out of nothing. We should add, the hand guided by human intelligence. That leads us to the question: What are the peculiarities of the people who inhabit Germany, and how far have their ethnical endowments had a determining influence upon the course of its economic life in the nineteenth century? In speaking of this I must develop certain thoughts which I have merely hinted at in this chapter. I refer to the connection which exists between the nature of a country and the character of its people.

WERNER SOMBART.

Breslau.

## THE PRICE OF SILVER.

ALTOGETHER unusual causes have brought about the further decline since 1893 in the gold price of silver, and produced the marked instability that to an ever increasing degree characterizes that price. Their true nature may hardly be said, in spite of the prominence and pressing interest of the subject, to have yet been correctly appraised. Although the historical facts are become by this time well worn from repetition, yet in order to arrive at a properly coördinated view of the field of cause and effect, it is necessary to go back and examine the statistics of both of the precious metals since the middle of the century. It will also be advisable to study with some care the nature of the existing demand for silver, and the prevailing conditions under which silver mining is carried on in the main regions of supply.

Several factors combine, as will be shown by this analysis, to make the price of silver depend upon the unstable equilibrium of forces whose balance is exceedingly delicate. More than this, it will become clearly evident, as the analysis proceeds, that with the year 1893 the white metal, whether it be viewed from the standpoint of demand, or of supply, or of its relations to gold in other and subtler directions, experienced a radical revolution in status. Since that date the price has stood upon a peculiar basis, subject to controlling influences of a different character from those that prevailed up to that time, and quite unlike those obtaining in the case of any other of the world's great staple products. This peculiar basis will determine, so far as can now be foreseen, the entire future history of silver. At the present moment a proper appreciation of its abnormal nature is essential to an intelligent consideration of the important problem of reharmonizing the gold-standard currencies of the world with the silver standard currencies. The rational solution of that problem, upon which the attention of several nations is now centered, depends mainly upon accurate knowledge of the extent and character of the

underlying opposition, inherent in the new conditions governing the gold price of silver, that must be overcome by the proposed remedial measures.

The modern history of the precious metals may fairly be said to begin with the discovery of gold in California and in Australia. The mining fever, prevalent before that epoch among Mexicans, South Americans, and Spaniards, and of sporadic occurrence among the other nations, then for the first time poured its fierce contagion into the veins of an energetic and practical race. There have followed from that event two results. One is the development of the science of finding the ore and extracting the metals; the other is the application of that science, and of the immense energy of the race, to the search for gold and silver in all quarters of the globe, to the rational, systematic exploitation of mines, to the bettering of the ways of transportation, and to the cheapening of the actual costs of metallurgy. From this twofold evolution a great increase has taken place in the production of both gold and silver. Over 70 per cent. of the total yield of lode and placer since the date of the discovery of America consists of gold brought to the light since 1850. Nearly 50 per cent. of the known output of the world's silver mines for the same four hundred years has, in like manner, been produced since the time of the California gold craze.

By chance or, perhaps, by consequence, the unrest of the Anglo-Saxon was aroused to the pursuit of this latent treasure just at the hour when the ripening of the age of steam challenged civilization to go forth and make the new conquest of nature. That unrest and the heroic struggle for a higher existence that it presaged and that the use of steam made possible, were, accordingly, the first cause of the demonetization of silver, its depreciation, and the severing of monetary harmony between the gold-standard and the silver-standard nations.

Although the exciting element was originally gold, the major part of the attention of the adventurers and prospectors engaged in Argonautic search turned, before many years, to silver. The alluring placers, where practically the only skill needed was that required to find the nuggets and flakes of pure metal, could not last forever. Turning, therefore, from the alluvial sands to the

rocks from which those sands had come, the miners speedily found abundant evidences of silver. The Comstock spurred them into eager frenzy as they toiled. Argentiferous ore rich enough to be valuable must show, from the very nature of the case, signs of heavy "mineralization," quite palpable to men of the most moderate experience. With gold ore, on the contrary, the actual presence of minute, but still valuable, quantities of the sought-for metal is often hard to determine without the facilities of the assay office. Not unnaturally, therefore, the rough pioneers of the new mining were attracted by the simpler and easier conditions surrounding the search for silver rather than by the harder requirements of gold. To such an extent was this true that, having found silver ore, they often neglected to have it assayed for gold; a circumstance that redounded to the illicit advantage of the early smelters, and that accounts in part for the transformation of many a silver-bearing mine into a gold-bearing one after the disillusionment of 1893. The emphasis of the middle period of this modern mining was laid, most decidedly, upon silver.

The ten years from 1850 to 1860 brought an appreciable, though by no means extraordinary, increase in the production of silver. The rate of output was substantially the same as it had been three-quarters of a century earlier, and, indeed, had shown no startling changes for many years. About 1860 silver mining entered upon a great era of expansion that lasted until 1893. Each decade during this period showed an increase of from 50 to 90 per cent. over the achievement of the preceding ten years. Beginning with an annual production of thirty million ounces, silver mounted by leaps and strides until, at the end of thirteen years, in 1873, the figure stood at 63,267,187 ounces. In 1883 the amount was 89,175,023 ounces. Ten years later, at the end of the period of expansion, the enormous total of 165,472,621 fine ounces was disgorged upon a broken market. Considering the historic associations of silver as a money metal, this sudden tale of advance is most remarkable. That a commodity which has served as standard of value from the first beginnings of civilization, and which has been the object of search everywhere for thousands of years, should exhibit a six-

fold increase in its production within the span of forty years, is ample illustration of the power of the new elements in the sphere of mining. Furthermore, this expansion took place in the face of a serious falling off in the gold price of silver. In 1859 the London price was  $62\frac{1}{10}$  pence per standard ounce. By 1873 the year's average was already nearly 3 pence lower. With the general abandonment, and lapse, of bimetallism, the price slipped away to lower and lower depths, until, by the beginning of 1893, in spite of the bolstering given by the Bland and Sherman laws, it stood at 38 pence. Since 1860 silver had gained 450 per cent. in volume of output and had lost 40 per cent. in price.

The course of gold production, on the other hand, showed no symptoms of rapid expansion. After the sudden upward jump caused by the California discoveries, which had raised the world's output to a rate eight times the previous maximum figure, the supply held fairly steady for twenty years at about \$130,000,000 per annum. It sagged slowly then to \$100,000,000 during the early eighties. It was not until 1891 that the average production of the period 1850-1860 was again attained, after which there was an increase to \$157,000,000 in 1893 by way of premonition of the tidal wave to follow. For the period 1850-1893, taken as a whole, the annual output of gold was \$120,000,000, and the variations from this figure that may be charged against individual years are comparatively unimportant. The metal in which the price of silver is measured possessed great uniformity of supply throughout the forty years preceding 1893.

In 1893 was inaugurated a new era for the production of the white metal. The blows which that year struck at its prestige carried home. The sudden fall from the level of 39 pence per ounce to that of 29 pence, induced by the repeal of the Sherman law and the closing of the mints of India, was too great a loss to be withstood undismayed by the cohorts of silver. In the hitherto prosperous silver strongholds of the West, mines were now suddenly abandoned and populous mining camps given up to desolation. Discouragement fell like a blight upon those who had until then followed, almost fanatically, the trail of the



argent goddess. It wrenched their hearts then, and rankles still, but miners turned of necessity to the search for gold. For reasons to be more fully developed later, the falling off in net output of silver after this crisis does not begin to represent adequately the force of the calamity that had been experienced. Suffice it to say that, in place of increasing at the rate of 11,000,000 ounces a year, as had been the case during the preceding five years, the world's production of silver now stopped short at the 165,000,000 ounces of 1893, gaining less than two million ounces in the next ten years. The onward exploitation of silver, in the gold-standard countries at least, was a thing of the past. The white metal passed definitely with 1893 from the period of expanding production, and entered upon a stationary epoch of practically uniform output.

That same year may be taken as ushering in the beginning of a still more noteworthy epoch in the production of gold. Reversing the course of silver, that metal passed at this point from its own stationary era, and entered upon a period of tremendous expansion. The cause of this surprising increase in gold production is, no doubt, to be sought partly in the natural growth and development of gold mining *per se*; for gold, in spite of silver, had always kept a fair share of votaries. But, laying aside all question of advance of knowledge and of discovery of new districts, a very large part of the impetus to the production of gold at this juncture is to be ascribed without hesitation to the simple fact that men's minds were all at once turned towards it to an unprecedented extent. The pursuit of silver no longer engaged those enterprising spirits who spy out the secret hoards of Nature. Therefore the entire force of the mining fever concentrated itself henceforward upon the one metal, where before it had been occupied with the two. Miners sought gold, not crudely, as in the old days, but with skill and experience, and gold they found. The figures are striking. By 1896 the \$200,000,000 mark had been passed. By 1899 the \$300,000,000 level had been attained. The war in the Transvaal then demoralized the great gold fields of the Rand. There was a temporary elimination of one of the main sources of supply. For the rest of the world, however, the march of the increase

was not stayed. The \$300,000,000 rate was reached again in 1902. In 1904, the South African gold fields having recovered their normal activity, the output was \$350,000,000. Already in the decade since 1893 an amount of gold equal to one-half of the present coined stock of the entire world has been extracted from the ground. Twenty-five per cent. of the total recorded production since 1492 has come forth in these ten short years. Gold has certainly entered upon an era of tremendous expansion, whose momentum can hardly be expected to moderate until rising prices bear evidence of a depreciation of the yellow metal sufficient, like the fall in silver in 1893, to dampen the ardor of its acolytes.

To summarize the whole situation, therefore, from 1860 to 1893 the production of silver was increasing rapidly, while that of gold was stationary. During this period the price of silver fell, as was to be expected, if only from the course of the production itself. By a sharp transition the production of silver became stationary after 1893, while gold all at once began to increase. Other things being equal, it would not unnaturally be expected that the gold price of silver should cease from its descent at the critical point of this transition, and soon display an emphatic rise.

For the four years next following 1893 the price of silver on the London market averaged  $29\frac{1}{4}$  pence per ounce. The next succeeding period of four years exhibited an average price of  $27\frac{7}{16}$  pence. During the two years 1902 and 1903, the average was a fraction above 24 pence. Although during 1904 the price, showing a small recovery, averaged  $26\frac{3}{8}$  pence, the gold equivalent of the unit of silver certainly has kept on decreasing as before throughout the decade in question. The only change that may be confidently asserted to have taken place lies in the direction of greater instability of price, rather than in that of a definite check to the decline. Silver fell suddenly to  $21\frac{11}{16}$  pence per ounce in November, 1902. It rose temporarily to  $28\frac{1}{2}$  pence in October, 1903. The price has been known to vary 1 and 2 per cent. in a day. It flutters sensitively without showing the expected sign of a strong upward trend. This condition, well defined, does not conform to the altered

relations in the rate of supply of gold and silver, and its cause must, accordingly, be sought elsewhere.

It has been a subject of controversy how much effect the various demonetizations of silver have had upon the price through their influence upon the quantity of the demand. No doubt the consumption of silver for monetary purposes among what are now the gold-standard nations would have increased to much larger proportions than it actually possesses if free coinage had continued. But there was no positive curtailment of demand from this source. On the contrary, monetary consumption has displayed a certain degree of increase since the advent of the limping standard. On account of the misleading nature of the older statistics showing merely the rate of coinage, that perforce overlook the private melting down of coin, and do not consider the amount of recoinage, or of governmental sales, as bullion, of coin withdrawn from circulation, it has seemed better to show this increase statically, by giving the following table of stocks of silver coin among the principal nations in 1873 and in 1903:

	1873. <sup>1</sup>	1903. <sup>2</sup>
United States .....	\$ 6,150,000	\$673,300,000
Great Britain .....	95,000,000	116,800,000
France .....	500,000,000	419,800,000
Germany .....	306,235,000	207,500,000
Russia .....	18,600,000	104,600,000
Italy .....	23,000,000	37,700,000
Belgium .....	15,000,000	25,600,000
Netherlands .....	37,300,000	56,600,000
Austria .....	40,000,000	81,100,000
Australasia .....	3,000,000	6,100,000
Denmark .....	7,500,000	5,900,000
Sweden .....	4,300,000	7,000,000
Norway .....	1,600,000	3,500,000
Total .....	\$1,057,685,000	\$1,745,500,000

Not only has the natural loss in the old silver coinage been continuously replenished among the gold-standard nations, but there has been a distinct addition to the bulk of that coinage amounting by the present day to nearly 75 per cent. of the

<sup>1</sup> Director of the Mint, 1898.

<sup>2</sup> Commission on International Exchange, 1904.



antecedent volume. The fact that India and Japan, the two other important nations that have lately abandoned the unlimited coinage of silver, are not represented in the table will not alter the general complexion of the result.

As for the nations that still adhere to the unlimited coinage of silver, their consumption of the metal for monetary purposes has been, undoubtedly, somewhat larger than it would have been at the old parity of  $15\frac{1}{2}$  or 16 to 1. The breaking down of the gold price of silver gave those nations a depreciated currency as expressed in terms of gold. If there had been no economic friction in the way, the adjustments of international trade would have operated promptly to create generally higher prices in the silver-standard countries, with a corresponding lowering of prices in the gold-standard half of the world, and we should have witnessed, by way of consequence, a tremendous flow of silver to those countries. China and India would have swelled their circulations to a degree nearly commensurate to the depreciation (in terms of gold) of their currency. The price of silver would then have stayed in its swift descent: violent fluctuations would have been absent: the drawing apart of the two metals would have been gradual and steady. It would also have been the case that the gold-standard lands would have been enriched by the enormous importations of useful commodities from the silver-standard nations, while the latter would have had to expend a serious proportion of their energy in merely buying silver for monetary purposes.

The economic friction that opposed this consummation was, however, of the most stubborn character, particularly on the side of the silver-using nations. In those countries, as it happens, the spread of concrete information from man to man, and from one class of society to another, is slow to the extreme. The outlook of the individual hardly reaches beyond his own immediate environment. Wages are fixed by tradition, except where they have been disturbed by some local cause. Prices are established customarily in sole consideration of local conditions. There are few facilities of cheap transportation and of general communication to link together the isolated districts

by quick bonds of commerce. For these reasons the raising of prices in the silver-standard countries took place in fringes along coasts, rivers and railroads, and there, for the most part, it stopped. It affected special commodities and particular occupations. A great body of prices in the interior of those countries remained impervious to the influences of international trade. The raising of the general price level, while it may not, perhaps, be absolutely denied, was very slow and very slight.

Such raising of prices as there was, and the aggregate is in the absolute by no means inconsiderable, necessitated certain additions to the currency, which were brought about almost imperceptibly through the ordinary mechanism of international trade. To whatever extent the depreciation of silver has in this way been effectually brought home to the silver-standard nations, they and their products have been levied on for the purchase of otherwise unnecessary monetary supplies of that metal. They also lost the gold that they may have had in circulation in former years, and were obliged to replace it with silver. There are really no statistics that will indicate the relative consumption of silver for monetary purposes in the silver-using countries before and after the beginning of the decline in the gold price, but it is evident that there must have been a not inconsiderable increase as silver fell.

For gold-standard countries and silver-standard countries taken together the recorded net coinage consumption of silver from 1890 to 1901 was at the rate of about 95,000,000 ounces per year. This rate is equivalent to three times the best rate of production as late as 1860, and is one and one-half times the world's total output in 1873. Aside from the especial purchases of the Sherman Act there seems to have been no irregularity in the increase of the world's monetary consumption of silver to this high-water mark, nor does there appear to have been, on the whole, any pronounced falling off since 1893. There is considerable variation in the coinage purchases from one year to another, which is responsible, beyond a doubt, for part of the fluctuations in price. But the fall in that price, either before or since 1893, has not been due primarily to an actual lessening of the quantity consumed by the mints.

Until 1893 the increase in production surpassed in its rapidity the increase in coinage consumption. Since 1893 the two elements have been nearly stationary, the coinage consumption taking year by year about three-fifths of the supply.

The balance of the consumption, two-fifths of the whole, is made up of the consumption of the world in the arts and of the use of silver ingots for monetary purposes in China. British India has absorbed, for ornamental and industrial purposes, an average of 24,000,000 ounces per year since 1893. The lean years of famine cut down the amount very materially during the latter half of the period. As for China, there are no statistics that amount to anything, although it is known that the payment of the indemnity for the Boxer uprising temporarily annulled the absorptive power of the Empire. The industrial consumption for the rest of the world shows signs of rapid increase since 1893, amounting three years ago, according to the estimate of the Director of the United States Mint, to some 44,000,000 ounces a year as against an average consumption of 28,000,000 ounces for the period of 1890 to 1901. The report of the International Exchange Commission quotes the opinion of silver dealers on both sides of the Atlantic to the effect that the rate has more than doubled during the past ten years.

Examination of the statistics, imperfect as they necessarily are, shows that the vagaries of the price of silver since 1893 are, on the whole, not to be accounted for by considerable alterations in the quantity of either demand or supply. Experience of the actual events of the market indicates the same thing. There are in the monetary systems of China, the Straits Settlements, Siam, Mexico, and the smaller silver-standard countries, according to the rough estimates that must stand in place of correct statistics, about 1,000,000,000 ounces of silver held at the natural bullion value. In plate and ornament there must be in the whole world hundreds of millions of ounces in addition, to which no artificial value has been given. In the face of a steady production and consumption of some 170,000,000 ounces a year the gold price of this huge volume of silver was raised nearly 20 per cent. in a little more than two months in the spring of 1903 on the sentimental strength, apparently, of an unusual

purchase by the United States government of some twelve million ounces for the currency of the Philippines. The silver dealers pay attention to the future so far as the uncertainties of the metal permit, and at first sight the price effect here seems, in view of that fact, absolutely disproportionate to the moving cause. The same phenomenon in a reverse direction was witnessed when it was known that China would be forced virtually to sell silver in order to pay the indemnity, although in that case the moving cause loomed somewhat larger to the vision. It has been a part of the regular history of silver that the monsoon of India, according to the propitiousness of its season, would blow the price up or down as it might indicate an increase or a decrease in the purchasing power of the people of that over-crowded land. The present war in Manchuria caused a marked hardening in the price of silver in its first days, and, with the fall buying by India as an auxiliary factor, still suffices to maintain a quotation materially higher than the average of the last two years. For a commodity that is imperishable, of which there are immense visible supplies, that knows no season either in its production or in its consumption, and whose value lies almost altogether in the esteem in which it is held, instead of being imparted to it by its utility in a sequence of industrial processes, silver certainly exhibits a most remarkable frequency and violence of fluctuation of price.

Since the sensitive state of the market is not to be adequately explained by reference to quantitative changes in demand or supply, it is evident that there must be something unusual in the quality of one or both of these factors that exerts, and has continuously exercised, a powerful influence over the fluctuations of price, as well as over the more recent depreciation itself.

Until 1893 there were many mines even in the gold-standard countries that were operated purely for the sake of the silver they contained. A few of unusually rich ore still continue to be so worked. Almost all of the yield of silver, however, that gold-standard countries are responsible for to-day is silver that is found in conjunction with gold, copper or lead. Again quoting from the report of the International Exchange Commission, "of the 170,000,000 ounces . . . annual produc-

tion, about 130,000,000 ounces are produced as a by-product in connection with other ores. . . . Only some forty million ounces come from pure silver mines." It is understood that twenty-five million ounces out of this forty million come from Mexico, leaving a meagre fifteen million ounces for the rest of the world. There was, of course, a large amount of the silver production prior to 1873 that was subordinate in this same way to the production of other metals, but it by no means reached the present proportions. Without pretending to subscribe absolutely to the accuracy of the estimate, or to define precisely the line of demarcation between by-product and direct product, it is evident that there is here an indication of a vital change in the character of the world's silver supply.

What happened in 1893, therefore, among the gold-standard silver-producing nations was simply the squeezing out of existence of that part of the silver mining where the silver itself was looked to to pay the operating expenses. That part of the silver production that continued was from mines where the presence of other revenue-yielding metals made the income of the property insensible, to a greater or less degree, to the price received for the silver taken singly. The production of silver for the rest of the world outside of Mexico, which roughly covers the gold-standard production, fell off from 122,000,000 ounces in 1893 to 103,000,000 ounces in 1904. The balance that is left is almost altogether assisted, if not carried along outright, by its intimate association in the metaliferous veins with gold, copper, lead, or zinc.

Among the silver-standard nations, Mexico is the only silver producer of magnitude. Her production increased from 43,410,094 ounces in 1893 to 72,000,000 in 1904. Silver mining in Mexico is still on the old basis that prevailed elsewhere until 1893, so far as the mining of silver for its own sake is concerned. Part of the increase since 1893 may, to be sure, be ascribed to the establishment of smelters and the introduction of machinery. But the fact stands out quite plainly that the search for silver in Mexico still continues with practically unabated intensity. The reason lies in the maintenance of the silver standard by that country, and in the economic inertia, or



friction, that keeps the cost in silver of labor, supplies, and even freights, independent to a high degree of the gold level of the currency, or of the gold price of the silver product that is sold in the markets of the world. If it were not for the fact that smelter charges, the machinery and steel, the giant powder and the salaries of imported engineers, as well as coal where that is used, represent expenditures that must be calculated on a gold basis, the mine operator in Mexico would be practically impervious to the influence of the gold price of silver. As it is he is well removed from immediate or close dependence on that price. This is sufficiently demonstrated by the fact that the bulk of the capital invested in the silver mines of Mexico has been sent down there since 1893 by investors living under the gold standard, who are not affected in their choice by sentiment or by failure to appreciate the true relations of gold and silver. The silver production of Mexico, like the silver production of the gold-standard countries, although for another reason, is by no manner of means sensitively responsive to the gold price of the metal.

Passing now from production to consumption, a similar notable insensibility to price is to be perceived. The gold-standard countries, whose currency needs have since 1893 accounted for from 40,000,000 to 50,000,000 ounces annually, can not afford to pay much attention in their purchases to the price of silver. Whatever that price may be, the governments profit by a seigniorage of from about 60 per cent. in the case of most of them, down to 10 or 20 per cent. in the case of Japan, the Philippines and Peru. For these governments to give heed to the prospects of the silver market rather than to the currency requirements of the hour, would be mere idle indulgence in the spirit of speculation.

The currency of the silver-standard countries, on account of the resisting power of the old order in those nations, has, as previously noted, not yet exhibited the responsiveness to the gold price of silver that it theoretically should have shown. The actual statistics fail to show that a lower rate of exchange has stimulated exports from China and India at the expense of imports. In Mexico, owing perhaps to the habit of an improvi-



dent people of spending on imported luxuries whatever they get for exported raw materials, the imports and exports appear to keep close company in their ups and downs. No doubt forces tending toward a new equilibrium are set in motion whenever the international exchange rate undergoes alteration, but they are slow and deep. As yet, after the forty years of falling silver, the currency of the silver-standard countries, so far from showing signs of inflation, as is sometimes inferred, or even of a moderately adequate reaction in volume to make up for its loss in gold value, is decidedly scarce. Measured in gold, Mexico has \$5.00 per capita circulation, China \$1.00, and the Straits Settlements \$3.00, according to estimate. India, whose change to the gold standard is comparatively recent, has \$2.00 per capita. If there is any real tendency, outside of that furnished by mere temporary speculation in the money itself, for the demand for silver for these currencies to show increase or decrease in accordance with the immediate course of the silver market, it can not be ascertained. As for the permanent increase in demand due to the fall in silver, that, as already explained, has been slow and slight.

For the same reason, namely, that the divorce between the price levels of gold-standard and silver-standard countries has been so complete, the absorption of silver into China for industrial or hoarding purposes has almost no relation to the gold price.

The industrial and ornamental consumption for the gold-standard countries, including India, is dependent upon the gold price, but more particularly so outside of India. That is one reason why, with the extreme fall of silver, the consumption in the arts has developed such a tendency to increase.

On the whole, the most of the demand for silver is not related to the price to anything like the degree usual among the world's great staple commodities. In this respect the demand for silver partakes of the same singular quality that characterizes, most significantly, the supply.

If, assuming it to be possible for the sake of demonstration, the demand for, and the supply of, silver were absolutely unrelated to the price of the metal, having their quantity determined

in its entirety by other agencies, the consequence upon the price itself would be most extraordinary. According as either the demand or the supply showed the slightest excess of quantity over its opposite partner, the price of silver would be zero or it would be infinity. Once set at either level, nothing would bring the price down or carry it up except a chance reversal of direction of the disparity between the supply and the demand. Under the conditions the price of silver would know no resting place between the two limits, and its shuttle-like motion from one to the other extreme might be caused by a preponderance of a single ounce, now on the side of demand, now on that of supply.

In the actual circumstances this rigid mechanism must be, of course, considerably modified. No part of the production or consumption of silver would be found to be absolutely unresponsive to infinite changes in the gold price. A small part of both, like a living margin, is responsive to changes in price in the same manner and to the same degree as in the case of ordinary commercial commodities. The bulk, however, of either is partially, or completely, deaf to the cries that the market ordinarily utters. As a consequence, under the conditions that have prevailed since 1893, the movements of price have been controlled by the small margin of supply and demand that answers the state of the market, and not by the relations of the more massive, but inert, substrata. The hypothesis set up for purposes of illustration covers the case exactly when properly softened down, except that it does not show the influence of a few million ounces of undesired supply in exerting a constant and progressive pressure towards lower and still lower prices. With more normal commodities such a slight excess tends to eliminate itself quickly because of reaction induced by the price itself. With silver, except as the small margin upon which the whole weight of the price falls may be able to control it, the excess tends to continue its existence indefinitely, and to go right on depressing the price. The same thing, *mutatis mutandis*, could be said of an excess of demand.

The further fall in the price of silver since 1893 has accordingly been produced by comparatively small forces. The intense

variations in the price are caused by influences of a minor character. Conversely, the quantity of production and consumption of silver continues very steady and uniform in the face of the serious fluctuations in price, and is likely to keep on doing so for an indefinite period to come. A part of these considerations, though in less degree, applies to the course of the price of silver before 1893.

This general theorem of the price of silver being established, it remains to give its practical application.

The price of silver in the near future may turn and rise to an average level considerably above that of the present time; it may drop to still unexplored depths. An alteration in the delicate equilibrium of the silver market of sufficient scope to have a pronounced effect on the price would still be so small that it might arise from any one of a hundred insignificant sources, and its advent may not be forecast. It may also be postulated that the price of silver, if left to its natural self, will continue to fluctuate erratically until such time as the consumption in the arts may have grown large enough to ballast the market.

If the attempt were now to be made to put an artificial control upon the price of silver, the desired result could be attained with an infinitely smaller expenditure of force than would have been necessary under the old bimetallism, or before 1893, or than would be required in fixing the price of any other commodity of similar magnitude. If, on the other hand, an attack should be made on that price by further monetary restrictions for example, or by the wider spread of a bounty-fed production such as the mines of Mexico have virtually enjoyed hitherto, the collapse of the market might be serious and lasting.

The first serious appreciation of the fact that the price of silver may now be more amenable to control than formerly, is revealed in the work of the International Commissions of last year, particularly in the considerations adduced by the Mexican Commission. As a preliminary to the gold-standardization of the currency of China, and of the other silver nations, it was urged that greater regularity in the coinage purchases of silver by the gold-standard nations would in itself go far towards

giving silver a stable gold price, whereupon the transition to a gold standard could be so much the more easily accomplished by the nations desiring it, especially as it is to their interest to keep to the utmost possible degree their existing stores of silver. While the theory of the advantages to be derived from this procedure met with gratifying acceptance, each of the nations consulted saw grave reasons why it should not, itself, participate in the movement. It is evident, therefore, that any practical control over the gold price of silver must have its seat in the actions of the silver-standard nations that are governmentally directly interested. Aside from the pregnant but vague suggestion that Mexico will, after her own monetary reform, keep up the purchase and sale on government account of an amount of silver substantially equivalent to her present export coinage of pesos, there seems to have been as yet no positive intention developed toward the acquirement of any direct control.

In addition to the abortive project for the control of the price of silver by the gold-standard nations, there was brought forward a wide-reaching plan for the stabilization to a gold level of the currencies of the silver countries, and particularly of China. It was contended that it would be advantageous for the several currencies in question to adopt the same ratio between gold and silver in their token coins, namely about 32 to 1, and that the advisory assistance of the nations to whom China is paying the indemnity was essential to her monetary reform. It was thought that strength against instability in the bullion value of the new coinage would be imparted by extending the area of horizontal resistance to silver fluctuations through uniformity of the ratio to be adopted by several nations at once. For the reform of China's currency the gold-exchange fund method, sufficiently well known from its adoption in the Philippines, was urgently recommended.

The scheme, so far as China is concerned, is hardly practicable under existing conditions. The suggestion was made that a uniform coinage of artificially appreciated token money should be gradually introduced in place of the present amorphous congeries of imported or local coins, silver "shoes," and copper cash, which last, by the way, is really the standard money in

China to-day, and has a moderately fluctuating exchange rate with the various classes of silver. The new currency was to creep out from the centers, where its introduction was first undertaken, like seepage spreading silently from a reservoir, until the old heterogeny had been displaced and China, as a whole, stood upon the enlightened basis of a gold standard. Supposing the Chinese government to possess the practical ability to conceive the details of the working mechanism and the enormous strength to compel, among that hide-bound people, the carrying out of the design, there are yet formidable difficulties to be reckoned with. By the slow creeping back of the gold-value coins amid a circulation of silver bullion and copper, China would experience the confusion and the broken adjustments of a rapidly fluctuating exchange, not in the comparatively unimportant foreign trade, but in the thoroughly vital domestic commerce, in the price of every commodity sold across the moving frontier of the new currency, in the wage of labor, in the return to invested capital, in every operation of finance, and in every transaction, whether immediate or covering a long term of years, in which valuable objects were exchanged. It may well be questioned whether China could afford to pay the cost. Bad as her currency is at present, she has at least the copper in it to make a continuous basis of reliable exchange value throughout the confines of her empire.

But it is not at all likely that the world will witness the spectacle of an artificially appreciated coinage, whose gold value depends upon its economic scarcity and its power of redemption, creeping back from district to district against the prejudices of the impassive Celestials. It would, theoretically at least, have a tendency to become redundant from the very beginning, and would accordingly do its creeping towards the exchange-fund. The Chinese are not favorably disposed toward light-weight coins. Even in the Dutch East Indies, where an artificially appreciated currency circulates freely, the home-returning coolies prefer to take their pay in Mexicans, losing by their obstinacy the difference in the exchange value of the two moneys.



The task proposed is too much for China, and will be, unless the adjustment of international relations in the Far East should give better organized nations the right to impose harsh and arbitrary monetary measures upon that empire.

It is worth pondering whether, under the conditions newly governing the price of silver, it would not, after all, be infinitely easier for China to stabilize the silver she now has in circulation by controlling the gold price of silver in general, rather than by creating for herself a new coinage that would be independent of that price, and then forcing it at a premium upon her reluctant millions. The one measure is to be carried out by the mere following of a financial policy by the Imperial Treasury; the other is a question of actual administration, hopelessly entangled with the deceit of every venal mandarin, and with the ancient prejudices of every contemptible hamlet throughout the length and breadth of the Middle Kingdom.

The *modus operandi* would be simple enough. Let China sell a little silver from time to time when the quotations of that metal are at the crest of successive waves. It is obvious that by so doing she would not only get some gold, but could prevent the price of silver from rising above whatever mark she might fix as the offering point of her abundant resources. By going a step further and cutting the waves of the silver quotations at, or a little below their centers, it is equally evident that China could control, within very narrow limits, the gold price of silver in the markets of the world, by simply offering to sell silver above this point, and to buy it, with the gold she had thus acquired, whenever the price fell a little lower. The simplest way by which this process could be carried into effect would be for China to declare a bimetallism, after she had accumulated a little gold to begin with, at a ratio a trifle undervaluing silver as compared with the average market quotations of the preliminary period. At present, for example, the ratio should be between 36 to 1 and 40 to 1. This bimetallism would hardly break down from a tendency to rise on the part of silver, for there are some 600,000,000 ounces of silver now in circulation in China that would have to be drawn out and thrown upon the market first. Should silver display a tendency to fall below its parity in a



seriously disturbing degree, China would simply have to readjust the ratio or pass over to the ordinary form of the limping standard according to the stage of monetary development she might have reached at the time.

It is realized that a higher value for the silver in circulation would be advisable if it could be secured without recourse to the always doubtful expedient of endowing the coin with a certain proportion of fiat value. That should be out of the question in such a poorly administered country as China. After all, the great desideratum is the getting of the currency reliably stabilized in relation to gold. The exact level does not matter so much.

The quantity of foreign investments in Mexico to which a low level of the peso is ruinous, and the weight of the foreign debt, make it imperative that that country, on the contrary, should adopt a higher value for its new coins. Fortunately the government there is so highly organized that this will be quite possible. Mexico could not afford to wait for action by China before taking up her own monetary reform.

When Mexico adopts the gold standard at 32 to 1, a consummation that is now in process of attainment, it will be most interesting to watch the effect of this one measure upon the price of silver. If the change has the effect of curtailing, or even of stopping, the increase in the output of the Mexican silver mines, a material betterment in the price should soon be looked for. The mining industry in that country will undoubtedly, in a period of ten or fifteen years, bring in much more of real return to the nation, because Mexico refrains now from following further her policy of bounty-fed depression of the market; a policy much more destructive to prices in the case of silver than in the case of any other commodity that could be named. If the price thereafter rises materially, China may be able to get off from her silver basis, when she is ready to, at the same level as Mexico, with mutual advantage to the stability of the monetary systems of both countries.

MORRELL W. GAINES.

New York.

## DISFRANCHISEMENT IN WEST VIRGINIA.

### I.

#### I. INTRODUCTION.

WEST VIRGINIA was divided in sympathy during the Civil War. She furnished thousands of soldiers for each army, and had besides a very large number of able-bodied men, who stayed at home and secretly aided one side or the other. The number of those casting their lot with the Confederacy cannot be ascertained, but may be approximately fixed at from ten to twelve thousand. The Confederates enlisted from the eastern and southern counties, and were absent when the State was formed in 1863. Those who had voted for, or sympathized with secession, but remained at home, took little, if any, part in the formation of the new State. Along the Ohio river and the Baltimore & Ohio railroad, Union sentiment was strong. About twenty thousand men, coming chiefly from the "loyal" region, joined the Federal armies.<sup>1</sup> Those who remained at home, with the aid of a very few from the counties strongly southern in sympathy, formed a State, which naturally became divided socially and politically when peace was resumed.

Before the war had ended it was evident that a struggle involving the privileges of franchise and the opportunity to participate in many of the ordinary vocations of life, was inevitable. It came, and for six years a large number of the inhabitants, charged with disloyalty, were disfranchised and otherwise disqualified. Persons unable to take the suitor's, lawyer's, or teacher's test-oath were prohibited from engaging in the vocations to which these oaths controlled admission. Wage earners were refused pay for their services, and recourse to the courts was closed to them because of inability to take the suitor's test-

<sup>1</sup> The number accredited the State is about thirty-two thousand, but many of these came from Ohio and Pennsylvania. There were also many re-enlistments. (Rader's "History of the Fifth West Virginia Cavalry", Sutton's "History of the Second Regiment of West Virginia Cavalry".)

oath. Of all the disabilities, those affecting the ordinary vocations were most severe. The acts regulating admission to the bar and recourse to the courts were especially galling. During the period the appellate courts remained subservient to a partisan legislature, and it was thus rendered practically impossible to reverse an unjust or illegal decision. There is not a single instance where a higher court reversed a lower on the constitutionality of any of the questionable acts of our reconstruction legislatures.<sup>1</sup>

It is the purpose of this paper to try to give a fair and impartial account of the cause, operation, and results of the suffrage disabilities. The data, upon which the following accounts and assertions are made, were collected from conversations with men who were parties to the events, from the daily and weekly newspapers of that time, and from the proceedings of the State Legislature. The Parkersburg and Wheeling papers have been used extensively.

Disfranchisement and enfranchisement in West Virginia were purely local problems, differing in this respect from the problems which came under national control in the South at the close of the Civil War. The struggles were between whites and whites; in the South they were between whites and blacks. As might be expected under a strict party régime, resort to proscriptive machinery came into use, and politicians developed a tendency to desire political power rather than to serve the people.

## II. SUFFRAGE REGULATIONS PRIOR TO THE CLOSE OF THE WAR.

An intelligent discussion of these things necessitates some knowledge of the laws governing suffrage prior to and at the close of the war. Section I., Article III. of the Constitution of 1863, regarding suffrage, provided that: "The white male citizens of the State should be entitled to vote at all elections held within the election district in which they respectively reside; but no person who is of unsound mind, or a pauper, or who is under conviction of treason, felony, or bribery in an election,

<sup>1</sup> First five West Virginia Reports. Herbert's "Why the Solid South" in the contribution by W. L. Wilson, p. 258.

or who has not been a resident of the State for one year, and of the county in which he offers to vote for thirty days next preceding such offer, shall be permitted to vote while such a disability continues." The citizens of the State are also defined by the same instrument: "The citizens of the State are the citizens of the United States residing therein."<sup>1</sup>

The general election laws of 1863 provided for supervisors and inspectors of elections. These officers were required to permit all qualified persons to vote. They requested all, whose eligibility was in doubt, to take an oath to support the Constitution of the United States and the Constitution of the State of West Virginia. The same oath was required of all election officers.

The Governor's message to the Legislature which met January 17, 1865, called attention to the fact that men were returning from the Confederate army, and that they were robbing, plundering and murdering their neighbors. In part it says: "Recently robberies have been committed on a large scale in many parts of the State, and some of the best citizens murdered by these outlaws in the counties of Harrison and Marion. . . . One feature of the condition of things is that many of the disloyal in our midst, who have remained at home, feed and harbour these marauders and murderers, knowing their purpose. On the 23d of December, 1864, I issued an address, calling on the loyal people of the State to organize themselves into companies for their own protection, and to capture and kill these outlaws wherever found, assuring them that I would furnish them with arms and ammunition for the purpose."<sup>2</sup>

The murders and robberies complained of had been committed by organized bands of returning Confederates. They operated in Upshur, Barbour, Marion and Harrison Counties.<sup>3</sup> The local papers bear out the assertion that the Governor's recommendations to organize and resist them was in many instances carried out.

<sup>1</sup> State Code of 1863. Poore's "Charter and Constitutions."

<sup>2</sup> Journal of State Senate, January 17th, 1865.

<sup>3</sup> *Wheeling Intelligencer*, September 28th, 29th, and 30th. *Parkersburg State Journal*, same dates.

The Governor doubtless had just cause for complaint, because the war had not yet ended, and a guerilla warfare threatened the State. When a Confederate returned to his old home, and found all his possessions confiscated and appropriated by a farmer neighbor, and when he recognized that it was yet a time of active hostilities, his despair turned to revenge, and he acknowledged no obligation to society or to the State. He took part in politics, if at all, simply to annoy and obstruct.

The alarm caused by the increasing numbers of the returning Confederates, and by the vote of 10,437 for McClellan (against 23,233 for Lincoln), and the necessity of a war measure to meet the conditions, resulted in a law known as the Voter's Test-oath. The author of the bill enacting this law was James H. Ferguson, of Cabell County, who, on introducing the measure, said: "I do not want the rebels to have any share in the government. If they do, I shall be defeated by five hundred votes." This remark was directed against the "rebels" who were in actual hostility against the government, and who were obstructing the execution of laws, and is not to be interpreted as a desire on the part of the author to exclude ex-Confederates from the polls. Ferguson, in the very next year, became a strong advocate for universal enfranchisement.

The law was modeled after the test-oath at that time exacted of all State and county officers. Because of its subsequent importance, it is here given in full. "I, A. B., do solemnly swear that I have never voluntarily borne arms against the United States, the reorganized government of Virginia, or the State of West Virginia; that I have never voluntarily given aid, comfort, or assistance to persons engaged in armed hostility against the United States, the reorganized government of Virginia, or the State of West Virginia; that I have not at any time sought, accepted, exercised, or attempted to exercise any office or appointment whatever, under any authority or pretended authority, hostile or inimical to the United States, the reorganized government of Virginia, or the State of West Virginia; that I have not at any time yielded a voluntary support to any government or pretended government, power or constitution within the United States hostile or inimical thereto, or hostile or inimical to the



reorganized government of Virginia, or the State of West Virginia; that I will support the Constitution of the United States, and the Constitution of the State of West Virginia; and that I take this oath freely, without any mental reservation or purpose of evasion."<sup>1</sup>

This law, which undertook to punish for offenses without giving the person a trial, had, as a war measure, practically the entire support of the Legislature and the people. Nearly everyone regarded the law as unconstitutional, because the organic law said: "All white male citizens of the State shall be entitled to vote." In the past, persons suspected of disloyalty had been required to do no more than to swear to support the Constitution of the United States and of the State of West Virginia. At the time of the passage of the test-oath act, its constitutionality was questioned by a very few; to those few the legislators and people replied: "We are going to amend the Constitution, so that the act will conform with the amended instrument."<sup>2</sup> Necessity for precaution reduced criticism to a minimum.

The conditions contributed to make the subsequent constitutional amendment a very radical one. The following was proposed and adopted, to be added to Section I. of Article III.<sup>3</sup> "No person who, since the first day of June, 1861, has given voluntary aid or assistance to the rebellion against the United States, shall be a citizen of this State, or be allowed to vote at any election held therein, unless he has volunteered into the militia or navy service of the United States and has been or shall be honorably discharged therefrom."<sup>4</sup> Before this amendment could become a part of the organic law, it had to be passed by another legislature and then ratified by a majority vote of the persons voting upon it. Thus it could not become operative for more than a year from its first passage.

<sup>1</sup> Statutes of Virginia and West Virginia, 1861-66. The long drawn out oath and especially that phrase referring to the reorganized government of Virginia, came, in time, into great ridicule.

<sup>2</sup> Parkersburg *Gazette*, February, 1865. Wheeling daily papers for same month.

<sup>3</sup> See above, p. 39.

<sup>4</sup> Code of 1866 or Poore's Charter and Constitutions.



When the amendment was introduced, there was much discussion regarding the time from which it should disfranchise. Some claimed that it should not be later than January 1, 1861, because that date would include all who had voted for secession. Others contended that the amendment should not proscribe for offenses committed before June 20, 1863, because on that date all had agreed to let "bygones be bygones." The latter date was objected to, because it would disfranchise those whom Lincoln's proclamations of December 8, 1863, and July 8, 1864, had relieved. The date June 1, 1861, was finally selected, since it did not render those subject to proscription who had voted for secession. Two or three members of the Legislature were charged with having voted for secession. It was also admitted that many who had voted for secession did so ignorantly, and that they could, in 1865, be recognized among the most loyal men.

### III. CHANGED CONDITIONS AFTER THE CLOSE OF THE WAR.

Shortly after the passage of the two war measures, the test-oath and the constitutional amendment, the struggle between the States ceased. The Confederates who now returned, and those who had already returned, assumed an attitude towards the State and national government very different from that of which the Governor had complained in his annual message of January, 1865. Singly and quietly they sought to rebuild their desolate homes and to take their places in the peaceful vocations of life. They now showed signs of a resignation to fate and a desire to abide by the will of the majority; complaints of murders and robberies committed by them ceased. As yet there was nothing but a law imposing the voter's test-oath to prohibit them from taking a part in politics.

Facts indicate that those who had remained loyal did not meet the defeated secessionists half way in the belated efforts of the latter to become useful citizens. Those organizations which the Governor had recommended in his message continued to operate after peace had been declared and after the ex-Confederates had taken the amnesty oath. E. M. Norton, a United States marshal stationed in West Virginia, fearing that the

returning Confederates would meet with foul play in some localities, by letter requested military aid from his superior officer in the State. The following is the reply:

GRAFTON, W. VA., May 20, 1865.

E. M. NORTON, U. S. Marshal:—

I am directed by the Brevet Major General commanding to furnish you with such military forces as are necessary to protect citizens to whom peace has been granted by the United States authorities. Notify me when, where, and how much force you require.<sup>1</sup>

Signed,

FRANCIS FESSYNDER,  
*Brev.-Gen.*

In those counties bordering on Virginia, it was found almost impossible to reorganize the local governments without the aid of the ex-Confederates. There were but few persons in those counties, especially Greenbrier and Monroe, who could take the test-oath, and those few were not always the most intelligent and best citizens. In the extreme western part of the State, the part least affected by disfranchisement, the law was so strictly and technically enforced that one man, John A. Hutchinson, acted as State's Attorney for three or four counties at the same time. There were no other attorneys who offered to take the attorney's test-oath.<sup>2</sup> In Wood County, State's Attorney Jackson refused to take the test-oath on the ground that he had already taken an oath to support the Constitution of Virginia. He was forced to resign, and Hutchinson was appointed in his place.<sup>3</sup>

In the fall election of 1865, in some localities where no attention was paid to the test-oaths, ex-Confederates, hoping and expecting that the war legislation would be passed over unobserved, took a free hand in organizing the local governments. The belief that the law imposing the test-oath was unconstitutional, and that it could not and would not be enforced, led men to disregard it entirely in running for office, as their neighbors disregarded it in voting. Dr. J. J. Thompson, of Greenbrier County, was elected to the House, and Henry M. Mathews, of the same county, to the Senate, knowing that they could not

<sup>1</sup> *Wheeling Register*, June 1, 1865.

<sup>2</sup> Records of the proceedings of the County Courts of Wood, Pleasants, and Jackson Counties, for 1865 and 1866.

<sup>3</sup> Record of County Court, Wood County.

take the oath. When the session met, they were legally asked to take it, and were expelled for refusing to comply.<sup>1</sup>

In other counties the test-oath was an issue in the campaign. The law imposing it was denounced by one side as unconstitutional, and, therefore, a nullity. The administration and those who had remained loyal justified the enforcement of the test-act by declaring it necessary to preserve existing institutions. Many suits were instituted by those who were refused the right to vote. Though the State Constitution did not sanction such a law, the State Courts ruled invariably against the plaintiffs in all the many disability cases arising in West Virginia.<sup>2</sup> It was evident that the party machine meant to become self-perpetuating. Family feuds originated because of damage suits and rejected votes. As the campaign of 1865 grew warmer, the possibility of a peaceable, quick, and orderly return to local government and to harmony among the inhabitants of the State grew more uncertain and difficult.

#### IV. LEGISLATION OF 1866.

Before the Legislature met in January, 1866, opposition to any further war legislation had taken form. There were two factions. One favored what it styled necessary proscriptive legislation; the other demanded that the Legislature and the people bury the hatchet and, to show good faith, that the proscriptive laws already enacted and in process of enactment be repealed, and that no more acts savoring of war legislation be passed. The latter was the germ of the Conservative party in West Virginia, which included in its membership some of the most ardent and loyal Union men. Daniel Lamb of Ohio County and James H. Ferguson of Cabell were leaders in the first conservative movement. These men became as enthusiastic in their opposition to proscription as they had been in their loyalty to the Union. In a year or two they became Democrats, who at that time were denounced by the opposition as "rebels."

The Governor's message to the Legislature, which met in 1866, recommended that the proposed constitutional amendment

<sup>1</sup> Journal of Senate and House 1866. (Mathew's plea in defending his case was a strong speech.)

<sup>2</sup> First five West Virginia Reports.

be concurred in, and a registration law be enacted, and that election officers also be required to take a test-oath. The message is interesting because it voices the administration's policy regarding proscription. In part it is as follows: "It has seemed to me that too great anxiety is manifested on the part of those who actively engaged in the rebellion, to repossess themselves of place and power. They are too impatient under the safeguards that it has seemed necessary to adopt for the protection of the government. It has scarcely been nine months since they were in rebellion, yet they now gravely insist upon the right to immediate participation in making and administering the laws. It must be apparent that time should be taken on this subject. . . . Permanent civil organization has been restored throughout our State, except in five or six counties on the extreme eastern border. Here, participants in the rebellion either became, or induced others like themselves to become, candidates for office in October last."<sup>1</sup>

This message differs remarkably from the one which preceded it and from the subsequent annual messages for four years. It does not call attention to violations of the civil law, except in a few cases where the election law had been disregarded in counties where the population was practically all composed of ex-Confederates. The violations of the civil law in 1865 have been explained; the war had not ceased. The fact that the Governor did not call attention to violations of law and to insubordination of the people in this message is almost conclusive evidence that they had not occurred on any large scale. It is also an indication that the ex-Confederates were willing to accept the situation provided they were given a share in the local government where affairs could not be well administered without their aid.<sup>2</sup>

<sup>1</sup> Journal of House, 1866. The case of Samuel Price, Confederate Lieutenant Governor of Virginia, who had been elected to a judgeship in Greenbrier County, was given in detail in the Governor's message together with reasons for refusing to allow him to qualify.

<sup>2</sup> The fact that a very large portion of the messages following 1866 were devoted to a discussion of violations of the civil law, coupled with the fact that some very proscriptive legislation was that year added to the organic and statute laws, is almost conclusive evidence that the future disorganized conditions were due, at least in part, to unwise and unnecessary legislation restricting voting privileges.

The Legislature, elected by excluding a large number from the polls by means of the test-oath, early indicated its policy by a resolution declaring it inexpedient to repeal the war measures of the last session. The act proposing an amendment to the State Constitution was concurred in, and a bill was passed for submitting the proposed amendment to the people for ratification or rejection on the 24th of the following May.

The administration claimed that it was not the intention to make the organic disabilities perpetual, but that they were to remain in force until all danger to the public peace had passed; until those upon whom they were imposed gave evidence that they accepted in good faith the results of the war; and until all danger of a re-annexation to Virginia had been removed. It was argued also that the Confederate influence would injure, if not destroy, the free school system of the State. The "decitizenizing" clause of the amendment was explained by saying that it had not been the intention to alienate any persons, and that the phrase "no person shall be a citizen of the State," had crept into the proposed amendment because of a confusion of the terms citizen and voter, which were frequently used as synonymous.

Daniel Lamb of Ohio County and J. H. Ferguson of Cabell County, conservatives, and the united Democracy opposed the amendment on the ground that it was a war measure. They were bitterly opposed to any measure which savored of war legislation. They claimed that peace had come, and that it was the duty of every good citizen to preserve it. The old-line Democrats based their opposition on the ground that it was in conflict with the national Constitution, which defined citizenship beyond the possibility of any State to alter. It was also argued that all who had returned had taken the amnesty oath, which, in Richmond, restored them to the status of loyal citizens, and that the oath should operate in the same manner in their native State, where good government was a matter of self-interest. Others condemned the amendment on the ground that it antagonized internal developments. They said: "People will not settle in a State where no share in the government is allowed them, where property is subjected to confiscation, and where no recourse is allowed



to the wronged citizens." Some ex-Confederates threatened to go to Ohio, where they could be free to participate in government, and not subject to arrest and proscription for offenses for which they had been fully pardoned by the highest recognized authority in the land.<sup>1</sup>

Instead of repealing the existing disabilities and checking the progress of the constitutional amendment against which the above objections had been raised, and for which the above arguments had been advanced, the Legislature of 1866 met the manifest disposition of the ex-Confederates to become law-abiding citizens with measures stricter than any yet proposed for limiting the exercise of suffrage. It placed the sole right to regulate the franchise in the hands of the Chief Executive of the State. When the Union and Confederate soldiers began to associate freely, and when their sons and daughters began to intermarry, the politicians of the State began to enact laws and enforce measures calculated to make two very discordant elements in the State.

A registration law was passed which provided that the Governor should appoint "from among the citizens most known for loyalty, firmness and uprightness, three persons for each county of the State, who shall be styled the Board of Registration." These boards, which were not necessarily non-partisan and which, for practical purposes, possessed a preponderance of that qualification "firmness," designated the township registrars of their respective counties. The local boards could refuse and did refuse registration to those willing to take the test-oath but suspected of disloyalty. In such cases an appeal could be had to the County Board of Registration, which almost invariably sustained the registrar. This law placed the absolute control of the franchise in the hands of the Governor, who could enfranchise and disfranchise at will through his registrars and local boards. In 1866 the local papers were full of letters from citizens of the State who refused to engage in the work of disfranchising their fellow citizens. Thus the political machinery was, of necessity, in some cases placed in the hands of unscrupu-

<sup>1</sup> The political papers of the State during the winter of 1866 took one side or the other of the above argument.



lous officials, whom an appeal to loyalty or a political promise, preferably the latter, goaded on to radical and ridiculous measures in the work of disfranchisement.

An effort to put the registration law into execution brought out further objections to its constitutionality. The bill enacting the registration law, which was to carry out the proposed amendment, had been passed in February, 1866, and the amendment was not to be submitted for ratification or rejection by the people before May 24, 1866. The party machine was, however, put into motion to execute the registry law. The Governor gave the signal, and the township registrars and county boards hastened to secure a registration before May 24, 1866. People condemned these tactics as unwarranted haste to execute a law which had no constitutional foundation, and as an unjust and unfair means to secure the ratification of a constitutional amendment.

#### V. PERIOD OF DISCORD.

The premature resort to registration enlisted Democratic and Conservative opposition to the Radical administration of political affairs in West Virginia. It is the beginning of a period of discord, during which the minority often resorted to violence, and was as often met by violence. It seems lamentable that after a whole year of comparative peace and fair success in local organization, a period of five years of contention and political strife should not have been avoided. During these five years the bitterness was so intense and party discipline so exacting that few deserted the ranks of one party for a place in the other. The administration claimed that its measures were absolutely necessary to the existence of the State and its institutions. The opposition took up the cause of the disfranchised, and often showed a radical spirit in their political methods.<sup>1</sup>

<sup>1</sup> When the registration law was being discussed in the Legislature, some ex-Confederates, despairing of relief, held a meeting in Hampshire County to devise means of re-annexation to Virginia. (*Wheeling Intelligencer*, January 27, 1866.) Party feeling ran so high that the Legislature refused to consider charges preferred against Judge Nathaniel Harrison, who was at this time and

The administrative party was able to carry the constitutional amendment by about seven thousand votes after disfranchising almost three times that number.<sup>1</sup> The Legislature of 1867, to thwart the argument of unconstitutionality, which had been urged against the proscriptive laws, repealed the registration law of 1866. It then enacted another more exacting than the former, in that it was expressly stated that willingness to take the test-oath was no longer to be considered a satisfactory proof of loyalty and of eligibility to registration. The applicant, if questioned, was further required "to make it appear" that he was a qualified voter. Thus an ignorant registrar was often constituted a court and jury to try the case of his fellow citizen's right to suffrage. It is true there was an appeal, but the plaintiff was denied by law recourse to the civil courts, and required, in case appeal was resolved upon, to carry the case to the County Board of Registration, which was also legally constituted the last court of appeals.<sup>2</sup> In some cases these county boards made farces out of the appealed cases, and were rarely known to give any relief. The fact that a man had been denied registration was evidence of a desire to vote against the party in power, which with a few boards was almost, if not quite, as great an offense as disloyalty. The Legislature, to avoid any more suits, like those which had arisen in 1865 over the execution of the test-oath law, and to encourage the State administration in its work of proscription, went further, and enacted a law which provided that the county boards of registration and the registrars should be defended at public expense, also that "no suit or action, criminal or civil, should be maintained against any person for an act done in suppression of the late Rebellion."<sup>3</sup> Partisan judges held that all acts to prohibit ex-Confederates from voting came under the above act.<sup>4</sup>

who afterwards proved to be one of the most unscrupulous and immoral men ever engaged in West Virginia politics. The man preferring the charges, a Democrat, was insulted; Harrison was praised. The charges were denounced as rebel lies. (Journal of House, 1866, and Journal of Senate, 1870. See any local paper on the trial of Judge Nathaniel ("Nat") Harrison, in 1870.)

<sup>1</sup> McPherson's "History of Reconstruction," also a table given below

<sup>2</sup> General Election Law, Code of 1867.

<sup>3</sup> General Election Law, Code of 1867

<sup>4</sup> Judicial decisions in Circuit Clerk's office, Greenbrier and Monroe Counties.

The above measures, while perfecting the administrative machinery, heightened defiance and opposition to disfranchisement. Feeling reached red heat in those border counties where a very large number of the citizens were denied suffrage, and where local government savored largely of "carpet-bagism," as in Greenbrier and Jefferson Counties. The judge of the Ninth Judicial District, which included Greenbrier and Monroe Counties, received anonymous letters threatening his life. When he attempted to hold court at Lewisburg, the citizens held a public meeting and resolved to mob him and the State's Attorney. The United States troops were sent to enable the court to proceed and the Registration Board to hold meetings. The courts in this case were opposed so strenuously because they sustained the Legislature and the Registration Boards. Resistance and violence extended to religious gatherings. In Barbour County, a band of armed men entered a church and forced the "loyal" minister to preach under the Confederate flag.<sup>1</sup>

The following from the Governor's message of 1868 shows where resistance to the laws was most frequent and also gives a possible clue to the cause of discontent: "In Randolph, Tucker and Barbour Counties, there has been a very decided opposition to the execution of the registration laws during the year. In the two former, officers and Union men who took an interest in and supported the registration of voters were threatened and menaced by open demonstrations, and also by written communications, in which they were notified to leave the county or they must suffer damage to their person and property; in consequence of which many officers were intimidated and resigned, and it has been with much difficulty that men could be induced to take upon themselves the execution of the law. In Barbour County, in three voting districts, the registration officers have been actually set upon and assaulted and driven away. . . . I called upon the United States troops and they were stationed at Philippi, where they remained until after the election."<sup>2</sup>

In many counties, the disfranchised, through influence brought to bear upon the local registrars, had their names placed upon

<sup>1</sup> *Wheeling Intelligencer*, July 7, 1868.

<sup>2</sup> *Journal of House and Senate*, 1868.

the lists of voters and then tried to terrify the County Boards of Registration into accepting the lists. Where many were enrolled in this way, it was practically impossible to exclude all, and the minority made some gains. At Fairmont, in Marion County, a large number of names were placed upon the registrar's lists in some illegal way. When the County Board of Registration met, persons illegally registered attended in a body to hear their cases decided. The assembly assumed the air of a mob, and cursed and otherwise insulted the Board.<sup>1</sup> The boards of other counties, notably Greenbrier and Monroe, were also intimidated. This seeming organized resistance led the Republicans to suspect that they were being opposed by the Ku Klux.<sup>2</sup>

Annually the State authorities conducted elections by the aid of United States troops. It never seemed to occur to them that repeal of or an amendment to the laws restricting popular suffrage would be conducive to social and political harmony. Those counties where 85 per cent. of the citizens were ex-Confederates were guarded better just before election than they had been in the time of actual hostilities.

The administration did not stop with a strict execution of the laws. The political papers of the time were full of admissions of the toleration of abuses arising under it. Republican papers admitted that the ex-Confederates had enrolled, and Democratic papers took the part of the Union men who had been dropped from the registrar's list or were illegally refused registration. Often a man, whose sympathies were not with the party in power, was disfranchised because he could not "make it appear" to a stubborn registrar, possessing that prime requisite of a registrar, "firmness," that he had not "voluntarily aided the rebellion." The burden of proof was not thrown upon the election officers, but upon the disfranchised citizen. Democrats who had seen a Confederate soldier in the war were refused

<sup>1</sup> *Wheeling Intelligencer*, October 7, 1868.

<sup>2</sup> The radical papers made many complaints of Ku-Klux outrages immediately before the elections. (*Parkersburg Journal* and *Wheeling Intelligencer* immediately before the State election of 1868 and 1869.) The Democrats claimed that the Radicals magnified the Ku-Klux scare that they might thus get troops from the Federal Government to enable them to carry the elections. (*Parkersburg Gazette*, September, 1869.)

registration, because they had not informed the authorities regarding the whereabouts of the soldier.<sup>1</sup>

There was a persistent effort made to disfranchise the "rebel element" (Democrats), which included many thousands more than those actually engaged against the Union. In some cases, registrars, in transferring the names of voters from the old books to the new, purposely dropped the names of those persons who did not favor proscription and who were suspected of voting against it.<sup>2</sup> Where such persons, thus wronged, came to vote, they were refused the right, because their names did not appear on the list of voters as the law required. All papers, regardless of party, united in condemning the practice of purposely dropping names from the books, and keeping the fact a secret until election day, when a name could not be placed on the list. This was not a policy of the administrative party, but was in some instances resorted to by the unscrupulous registrars. Persons thus arbitrarily dropped, if any attempted afterwards to register, were called upon to prove their loyalty. The latter was a useless undertaking because the accusing party, the registrar, was the jury to decide the case. In Greenbrier County, the Registration Board, with one member, Dr. J. F. Caldwell, present, held a special meeting and struck from the list of the registered practically all the voters in the whole county. Among those disfranchised were four county officers, who were thus compelled to defend not only their right to vote but their right to hold office.<sup>3</sup> Caldwell was enabled, by wholesale disfranchisements, to keep the county offices in his own family, as the evidence in the "Registration Cases" showed.

Among the chief objections to the proscriptive laws were the following: the best citizens were excluded from all part in local government, because they could not take the test-oath;

<sup>1</sup> Case of United States vs. Lanham, before Federal Court at Clarksburg, West Virginia, August, 1871.

<sup>2</sup> Proceedings of Registration Boards in Greenbrier and Monroe Counties.

<sup>3</sup> Famous "Greenbrier Registration Cases," in Circuit Court of said county, 1869. The evidence brought out in the suits to recover office instituted by those who had been declared ineligible because they were not voters, brought out the facts recited in this paragraph. See records of Circuit Court, Greenbrier County.



unscrupulous citizens, "one-horse" politicians, freely took the oath where they could, and subsequently became ardent "loyal" men and "grafting" politicians; some good citizens refused, so long as proscription was continued, to attend religious and social gatherings; the disposition to violate law, which disposition the laws fostered, was held to be detrimental to the State.

From what has been said it will be seen that those who were denied suffrage can be grouped under the following heads: (1) many who did not offer to register; (2) those whose names had been illegally stricken from the registration books; (3) those legally entitled, but who could not "make it appear" that they were voters; (4) persons who could not take the oath.

#### VI. RATIFICATION OF THE FIFTEENTH AMENDMENT AND THE ATTITUDE TOWARDS THE NEGRO IN WEST VIRGINIA.

By 1869 it was evident that the success of the Democrats and Conservatives at the polls was only a matter of time. In February of that year, Congress passed the Fifteenth Amendment to the Constitution, which the administration and the Radical politicians of the State immediately seized upon as a means of securing a new lease of tenure. The Legislature, which was in session at the time, was very anxious to show its assent to the national policy, and incidentally to increase the annually decreasing majority of the party in power by the colored vote, which, though small in most counties, was, however, important in the State as a whole. The following table represents the colored vote at that time:

Barbour .....	42	Greenbrier .....	147
Berkeley .....	253	Hampshire .....	78
Boone .....	28	Hancock .....	8
Braxton .....	12	Hardy .....	108
Brooke .....	17	Harrison .....	70
Cabell .....	14	Jackson .....	6
Calhoun .....	3	Jefferson .....	581
Clay .....	0	Kanawha .....	363
Doddridge .....	7	Lewis .....	29
Fayette .....	20	Lincoln .....	0
Gulmer .....	3	Logan .....	15
Grant .....	47	Marion .....	22

Marshall .....	19	Randolph .....	8
Mason .....	85	Ritchie .....	13
Mercer .....	68	Roane .....	3
Mineral .....	66	Taylor .....	66
Monongalia .....	38	Tucker .....	6
Monroe .....	128	Tyler .....	3
Morgan .....	21	Upshur .....	31
McDowell .....	0	Wayne .....	5
Nicholas .....	10	Webster .....	0
Ohio .....	82	Wetzel .....	7
Pendleton .....	21	Wirt .....	55
Pleasants .....	3	Wood .....	136
Pocahontas .....	50	Wyoming .....	10
Preston .....	9		
Putnam .....	35	Total <sup>1</sup> .....	2,856
Raleigh .....	4		

Reference to the above table reveals the fact that the counties Monongalia, Preston, Marshall, Mason and Jackson, strong advocates of the proscriptive policy, had but few colored voters; Ohio and Wood had more. Jefferson, Hardy, Greenbrier and Monroe, counties which had always resisted proscription, had the greatest colored vote. The negroes did not, however, enter into reconstruction in West Virginia until after the adoption of the Fifteenth Amendment, and the fact that they were found in greatest numbers in those counties most affected by restrictive suffrage legislation has no great bearing upon the disfranchisement in the State.

After the State's ratification of the Fifteenth Amendment, universal suffrage and universal amnesty became the issue. Partisan papers came out with editorials like this: "The ratification of the Fifteenth Amendment brings before us the practical question of whether 20,000 white men shall also have the right of suffrage," and "Let's bury the hatchet in the ballot box."<sup>2</sup>

It is useless to say that the popular sentiment of West Virginia was back of her ratification of the Amendment. The State adhered to her well-known record of loyalty. It was conceived in a loyal enterprise and has always remained true to its first tradition. There never was a time, however, when negro suf-

<sup>1</sup> Auditor's Report, 1868.

<sup>2</sup> *Wheeling Intelligencer*, May 12, 1869.

frage was popular with either political party. It was scarcely contemplated as late as 1867. The following editorial is from the *Wheeling Intelligencer*, January 17, 1867: "One of our exchanges says that a proposition will be made during the present session (of the Legislature) to amend the State Constitution by striking out the word *white* from the first section of Article VI. so as to confer suffrage upon black men. We do not know whether the intimation is well founded or not, but we anticipate a lively discussion of it." In the fall of 1868 Governor Stevenson resented the accusation that he had canvassed Ohio in company with a negro, characterizing it as a most scandalous campaign lie. The *Wheeling Intelligencer*, three months before the ratification of the Fifteenth Amendment by the State, strenuously denied that negro suffrage had been or that it ever would be an issue in the State.<sup>1</sup> In the Clarksburg and Weston municipal elections of 1870, the first negro votes were cast, and the incident caused many Union men to stay from the polls. In the Legislature of 1870, when the Senate bill to incorporate the Martinsburg and Potomac railroad was brought before the House, John J. Davis of Harrison County spied "the nigger in the wood pile" in a clause of the act which permitted negroes to vote on the question of Berkeley County's subscription to the capital stock of the road. Though the bill had been unanimously passed, members began to change immediately, and the final vote stood: 23 yeas, 26 nays.<sup>2</sup>

Henry G. Davis, who was a member of the Legislature which ratified the Fifteenth Amendment, in protesting against the act, said: "It will change our whole political status. We will by one stroke make the negro our equal." He repeatedly insisted that the party in power, since it had so persistently declared that negro suffrage was not an issue, should submit the ratification of the Amendment to a vote of the people.

In the summer of 1869 the newspapers and the people of the State took up the suffrage question. The Republicans favored a State constitutional amendment, which would make the State Constitution conform to the tendencies of the times as embodied

<sup>1</sup> *Intelligencer*, October 17, 1869.

<sup>2</sup> House Journal, 1870, p. 184.

in the National Constitution. The word "white" was to be stricken from the organic law, and the ballot was to be extended to ex-Confederates also whenever their conduct and loyalty would warrant such action. The Democrats desired to make the State Constitution conform to the tendencies of the times by an immediate measure giving citizenship and the rights of citizenship to all. The fact that Missouri and Tennessee were repealing their proscriptive laws was repeatedly urged as a reason why West Virginia should do so. It was also contended that political disabilities were driving people from the State and deterring immigration.

#### VII. VISIBLE TENDENCIES TO REFORM.

In 1869 the business centers, notably Parkersburg and Wheeling, began to manifest a strong desire for political peace. Mass meetings were held in many cities, and resolutions were passed inviting men everywhere to cease party strife and to turn to the material development of the State. A very important meeting was held in Parkersburg in July, 1869. Speeches were made by J. M. Jackson and Okey Johnson attacking the unjust discriminations in the execution of the registration laws, and inviting all classes to unite in an effort to bring about better conditions. John A. Hutchinson spoke for the Republicans, and expressed himself as being willing to support the repeal of the manifestly unjust proscriptive laws, provided the Democrats would endorse the action of the last Legislature in giving suffrage to negroes. Jackson, in a scathing reply, characterized this proposition as an effort to put white suffrage against negro suffrage. He said: "The Legislature, at its last session, should have shown an inclination to give whites the elective franchise if it intended to put the one measure against the other."<sup>1</sup> Hutchinson's demand was repeated in other parts of the State, and usually resulted in greater opposition to the exercise of franchise by the black man. The next year, 1870, the "white man's party" became an issue in the campaign, which resulted in Democratic victory.

Some Republican newspapers of the State began this line of argument: "The enfranchisement of the blacks is, we trust,

<sup>1</sup> Parkersburg Gazette, July 27, 1869.

already assured. And now the question of enfranchising the ex-rebels will grow in prominence until in some way a solution is reached. There is no help for it. It is our Banquo's ghost; it will not down at our bidding."<sup>1</sup> This is evidence that the people were at least awakening to the fact that no portion of the citizens could long be kept from a share in the government. The party in power seems to have made a most serious mistake in disfranchising so large a number of the population. It took no lesson from national reconstruction in the South, where government was being restored by a rule which disabled less than one-tenth of the voting population. In West Virginia, a State suffering comparatively little from the effects of the war, at least one-fourth of those of voting age were disqualified. Reason in time, however, dispelled partisan feeling and sought to remedy its mistakes.

Horace Greeley's letter in reply to a letter from the *Wheeling Intelligencer*, stating that the Legislature would ratify an amendment enfranchising only negroes, and that, if an attempt to enfranchise the ex-Confederates was made, both would be lost, said: "Every year one thousand of your rebels die, and one thousand (or more) of their sons become of age.—you can't disfranchise them. You have now five thousand majority. Six years will convert this into a rebel majority of one thousand. The rebels will be enfranchised in spite of you. Go your way and see if the rebels don't have you under their feet. I speak from a large experience when I tell you that your house is built upon the sand. Now you can amnesty the rebels,—soon the question will be, shall they amnesty you? Look at Kentucky and Maryland and read your certain fate in theirs."<sup>1</sup>

The growing and uniting sentiment in favor of a "let up" policy took form in petitions and resolutions addressed to the Legislature. Notable among these popular expressions was the circular address of the people of Ohio County praying for an amendment to the registration laws and a repeal of the test-oaths. In Mason County, the ex-Confederates held a meeting a few days before the Legislature of 1870 met and petitioned that body to remove the disabilities. A State Senator, John M.

<sup>1</sup> *Wheeling Intelligencer*, May 12, 1869.



Phelps, a "liberal" Republican, was present and made an address to the meeting.<sup>1</sup>

The campaign of 1869 was fought out on the registration and test-oath issues. The Democrats refused to concede that the Fifteenth Amendment would ever become a part of the organic law, and contended for the immediate repeal of the laws requiring the oath and for the abrogation of the last syllable of the registration law. The Republicans replied that the State Constitution required that all persons who had given voluntary aid to the Rebellion since June 1, 1861, should be disfranchised, and that a registration was necessary, for the time, to comply with the requirements of the Constitution. They admitted that their election boards had in some instances been very corrupt, and went so far as to suggest that the registration boards be elected by the people and with minority representation. On the other hand, the minority party was opposed to any legislation countenancing registration.<sup>2</sup>

The Democrats in many counties of the State, in 1869, acting independently, and without following their party candidates, showed a disposition to secure relief by supporting the independent "Liberal" Republican candidates. In this respect they pursued the same course that their fellow partisans had adopted in Missouri, the same year, where no party ticket was put in the field, and where redress was left solely to the "Liberals" of the Carl Schurz type. The *Parkersburg Gazette* and *Wheeling Register*, extremely radical Democratic papers, were severely criticised during the campaign because of their close adherence to party and party organization, thereby making the work of their neighboring counties more difficult.

The disposition to unite with the "Liberals" prevailed only in the western counties. In the east, the fear of future negro suffrage united the proscribed, who asked and gave no quarter. The border county papers tell of frequent resorts to violence in securing larger registrations.

CHARLES H. AMBLER.

West Virginia University.

<sup>1</sup> *Parkersburg Gazette*, December 25, 1869.

<sup>2</sup> The fact that the Democrats came into power shortly after the registration abuses in the State is responsible for the fact that we have no registration to-day. It is prohibited by the Constitution.

## NOTES.

**British Legislation in 1904.** By far the largest proportion of the time of Parliament given to any one measure in the session of 1904 was spent on the bill to amend the Licensing Acts, which became law on the 15th of August. Probably no bill in recent years, not even excepting the retrograde Education Acts of 1902 and 1903, has aroused so keen a hostility throughout the country as was aroused by the Licensing Act. It met with a determined opposition from temperance associations, social reformers and economists, magistrates and police authorities, the Free Churches, and even from the bishops and clergy of the Established Church who are usually stanch supporters of a Tory Government.

The bill was introduced in fulfilment of pledges made to the brewers and the liquor trade generally in the election of 1900, and is the result of the recent efforts of county and borough magistrates to diminish drunkenness by reducing the number of licensed houses.

The control of the liquor trade, except for a period of thirty years from 1830 to 1869, has been in the hands of the justices of the peace since 1552. In the municipalities, these magistrates are of the borough benches; in the counties, they are of the rural petty sessional divisions. Each year the magistrates sit in brewster sessions to hear applications for new licenses, and for the renewal of old licenses. All licenses are for a year. They are granted to individuals, but at the same time they are attached to particular houses; so that when the magistrates grant a license, they take into account the character of the applicant and the suitability of the premises on which he intends to retail liquor. For the last thirty years new licenses have been granted very sparingly, but until recently the renewal of old licenses, except in cases where the license had been endorsed by the police for misconduct or for a breach of the laws concerning licensed houses, was taken as a matter of course. In 1887, however, on the initiative of the chief of police of the division, a bench of magistrates at Kendal refused to renew a license for the sole reason that the public-house was not needed, and that its existence added unnecessarily to the work of the rural police. The case was brought into court and was finally appealed to the House of Lords, where it was decided in favour of the magistrates. The decision in this case of *Sharpe v. Wakefield* created consternation in the trade, and especially among the brewers

and distillers who had bought up a large proportion of the licensed public-houses and had tied them to their breweries or distilleries. For some years, no further licenses were withdrawn as a result of the decision of the House of Lords; but in the later nineties renewed activity was shown by temperance and social reformers, which resulted in the passing of the Act forbidding the sale of liquor to children except in sealed bottles in 1901, and the Habitual Drunkards Act of 1902.

No new powers in connection with the granting and renewal of licenses were conferred on the magistrates by the Act of 1902. The Act imposed penalties on license holders who supplied liquor to habitual drunkards, and provided for the drawing up of black lists on which the names of all men and women, who had been convicted of drunkenness twice within twelve months, should be placed, and they should then be considered habitual drunkards within the meaning of the Act. The passing of the Act, however, stimulated magistrates all over the country to ascertain the full extent of their powers, and many borough and petty sessional benches instituted a personal visitation of all licensed premises within their areas. Many old public-houses were found to be deficient in sanitary or structural arrangements, and the tenants of such premises were warned that they must bring up their houses to the level demanded by the law, or have their licenses withdrawn. In other places, magistrates, acting under the powers confirmed to them by the House of Lords decision of 1887, refused the renewal of licenses simply on the ground that the premises served no public need. The most outstanding of these cases was at Farnham in Surrey, where the magistrates, after making a round of the public-houses, determined that there were too many in the area, and on this account refused the renewal of a license. This case was also taken into court and was carried to the court of appeals, where, for the brewers, it was argued that magistrates could not themselves object to a license and then pass on their own objection. In this case, also, the trade was defeated; for the Court of Appeals decided that the power of the magistrate was not merely judicial, but regulative and supervisional.

Supported by this decision, the licensing magistrates began to use their powers with much vigour; and all over the country there was a thinning down of the public-houses. In 1903 the renewal of 230 licenses was refused; but there are still over 67,000 licenses in existence, and about £300,000,000 sterling are now embarked in the trade.

The refusal of the renewal of licenses caused the trade to turn to the Tory Government and to demand the fulfillment of the pledges made to it at the time of the last general election. A deputation of brewers approached Mr. Balfour towards the close of 1903. It was received sympathetically and Mr. Balfour promised a bill by which the powers of the licensing magistrates should be greatly curtailed and the extinction of a license should be made the occasion for compensation. In accordance with this promise, the Licensing Bill was introduced at the beginning of last session. The principle of the bill was debated for nearly three weeks on the second reading stage, and it was only by a liberal and drastic use of the closure that the bill was passed through the remaining stages, in order that it might receive the Royal Assent before the close of the session.

The bill takes the power to refuse the renewal of licenses out of the hands of the borough or petty sessional benches and places it in quarter sessions, in the hands of the county magistrates. Thus, in a town which has not attained to the dignity of a county borough, the borough magistrates, who are well acquainted with the conditions and requirements of their municipality, are deprived of the power of control of the licenses in their area and that control is placed in the hands of the county magistrates—usually country gentlemen of the lesser aristocracy who have little interest in the towns and little knowledge of their conditions. The licensing benches are still left to deal with licenses which have been endorsed by the police for disorderly conduct, and they may refuse renewals in cases where the premises are structurally deficient or unsuitable; but they are no longer to be judges of the needs of the community and they can not refuse the renewal of a license because the public-house is superfluous.

As may be imagined, the magistrates all over the country resented greatly this curtailment of their powers. English justices of the peace are not elected. They are appointed by the Lord Chancellor and are usually of the same politics as the Government. Consequently by far the greater number of borough and county magistrates at the present time, having been appointed by Conservative Governments, are Conservatives, and as such they felt particularly indignant over their treatment by the Conservative majority in Parliament. But the liquor trade was the stronger interest, and as Mr. Thomas Burt said, in moving the rejection of the bill at second reading: "The Government with great chivalry has sacrificed



the interests of the weak to the interests of the strong. The magistrates are to be deprived of their power on account of their virtues. This bill was introduced because they had to some extent shown themselves amenable to the enlightened public opinion of the country during the last few years, by using their powers to some small degree in diminishing the number of public-houses."

Even more bitter than the opposition to the curtailment of the power of the magistrates was the opposition to the plan of compensation set up by the bill. Temperance reformers have always held that as a license was granted definitely for one year, the refusal to renew at the end of the year was not the subject for compensation. Licenses are granted without any payment being made for the privilege, beyond the excise fees which go to the central government. The opponents of the bill claimed that to introduce the principle of compensation for the non-renewal of a license, was to create a vested interest in licenses, and that the bill was in reality a brewers' endowment measure. The Government, in reply to these criticisms, asserted that the fact that licenses had been regularly renewed with very few exceptions for a period of over thirty years, had already created a property in licensed houses, in which people had invested on the strength of the belief that the present order would continue, and that the action of the magistrates in refusing to renew was a confiscation of property and tended to produce a feeling of panic and insecurity throughout the trade.

The compensation fund as instituted by the Act is to be a charge on all licensed premises, graduated according to the rateable value of the property, and no licensed house can be suppressed unless the magistrates can pay from the local fund a sufficient sum to compensate the owner and tenant of the licensed house. The amount of compensation to be paid is to be calculated on the basis of "the difference between the value of the licensed premises and the value which those premises would bear if they were not licensed premises." One objection urged by the opponents of the bill was that the license holder is usually only a tenant at will of some brewery company, and that the compensation money would not go to him, but to the company owning the premises, and that in spite of all that was said by the Government advocates of the bill about the injustice of depriving an honest tradesman of his livelihood, and of the clause in the Act providing that the license holder "shall in no case receive a less amount than he would be entitled to as tenant from year to year of the licensed premises," the bill was not devised in



the interest of the publican, but solely in the interest of the great capitalists who control the brewing trade.

When the bill was introduced the Government claimed that it was a measure in the interests of temperance, that it would facilitate the reduction in the number of public-houses by removing the unwillingness of magistrates to commit an act of confiscation. The opponents of the bill pointed out, however, that the compensation fund in many areas would be utterly inadequate to any scheme of reduction which would bring the number of public-houses into due proportion to the needs of the inhabitants. As the charge on licensed houses is on the basis of the rateable value of the premises, without regard to their use as public-houses, the fund would be particularly small in those areas which are crowded with small and miserable public-houses, many of which are entirely unnecessary. Thus Mr. Arthur Chamberlain, who, though the brother of the ex-Colonial Secretary, is an ardent temperance reformer and an uncompromising opponent of the bill, showed that in Birmingham the maximum sum for compensation would be about £14,000 a year, which would allow for the extinction of seven licenses. As there are in that city now 2,163 licenses, it would take 180 years to bring the number down to the limit recommended by the Royal Commission which was appointed in 1896, under the Presidency of Lord Peel, to consider the licensing system. Nor is Birmingham exceptionally over-supplied with public-houses. It would take Norwich ninety years to reach the standard of London at the present time, and it is not claimed that London has too few public-houses.

A strong effort was made by the opponents of the bill to introduce a time limit at the end of which magistrates would be at liberty to refuse the renewal of licenses without granting compensation. In the interests of the trade, this amendment was defeated, as was also an attempt to exclude all new licenses from the operation of the compensation clauses of the Act. A new power was granted by the Act to the justices of quarter sessions. They may, if they think fit, instead of granting a new license as an annual license, grant the license for a term not exceeding seven years, and where a license is so granted an application for a regrant of the license shall be treated as an application for a new license, and shall not be considered as an application for a renewal of a license under the terms of the Act.

The debate on the second reading of the bill was begun in the first week of May, and through May, June and July the time of

Parliament was almost entirely given up to the measure, which finally passed its third reading on the 29th of July, more than half of the clauses having been carried by means of the closure in the face of an opposition which was reflected in all parts of the country, and even in Scotland, which is not directly affected by the Act.

#### FINANCE ACT.

The Budget of 1904 was remarkable as being the first Finance measure since the reorganization of the Cabinet and the substitution of Mr. Austen Chamberlain, with his Protectionist proclivities, for Free Trade Mr. Ritchie. When the bill was introduced, the House of Commons was on the alert for any hints of protection; and the section imposing fresh duties on stripped tobacco was seized upon as showing this tendency. The Finance Act of 1904 made few changes in taxation; but two of these changes, the increase in the duty on tea and the increase in the income tax, were highly unpopular, in view of the fact that the income tax at elevenpence in the pound and the tea tax of sixpence per pound were already at a war level, and it had been expected that, with the end of the expenditures on the South African war, these taxes, which fall particularly heavily on the working and lower middle classes, would be reduced. Instead of a reduction, the income tax was increased to one shilling in the pound, the first time it has stood at this figure in time of peace since its institution in 1842. During the three years of the Crimean War it rose to one shilling and fourpence in the pound; but as soon as the war was over, it was reduced to sevenpence, and in the following year, 1858, to fivepence. During the South African war, it went up to one shilling and threepence; but in 1903 it was reduced only to elevenpence, and the Finance Act of 1904 again raised it to one shilling. This means a five per cent. levy on all incomes of over £700 a year, and an equal levy on all incomes below that figure, after allowing for exemptions varying in the case of smaller incomes from £160 to £70.

The increase in the tea tax was felt to be an especially heavy burden on the working classes. At sixpence per pound, it amounted to a tax of 100 per cent. on the cheap grades of tea largely used by the poorer people in England, and an increase of 25 per cent. in the tax, it was urged by the opponents of the Government, was an undue taxation of the income of the working man. In addition to this increase of taxation the Finance Act also imposed extra

taxes on tobacco whether manufactured into cigars or cigarettes, or unmanufactured, but stripped. The duty on unstripped tobacco was left unchanged, affording thus a considerable degree of protection to manufacturers who import their tobacco unstripped and manufacture it wholly in Great Britain.

The Finance Act was opposed in Parliament quite as much for what it left undone as for the new taxes it imposed. Two trades had been especially looking to Parliament for relief from war taxation—the coal trade and the trades using sugar as their raw material. An export duty of one shilling a ton was imposed on coal during the South African war, and it was bitterly complained by the coal trade that this duty seriously interfered with the export trade. The Chancellor of the Exchequer, however, could not see his way to a remission of the tax. The case of the sugar-using trades was much stronger than that of the coal trade. Not only has sugar to bear the war tax varying from two shillings to four shillings and twopence a hundredweight according to the degree of polarisation; but under the terms of the Sugar Convention Act of 1903, all sugar, on which any direct or indirect bounty has been paid in any foreign country, is excluded from Great Britain; unless Parliament shall, in lieu of such exclusion, impose a special duty on such sugar. The result of these burdens on sugar is shown in the present disorganization of the sugar-using trades in England. At a meeting of the trades held in Manchester on the 20th of December, it was stated that the trades were paying 110 per cent. more for sugar than they had paid in 1901, with the result that many firms were paying no dividends, some had closed down entirely, and almost all were running short time with a very considerable curtailment of wages to the workers. The trades recognized that no change can at present be made in the Sugar Convention Act, which was passed for five years in accordance with the agreement come to at the Sugar Convention held at Brussels in 1902, but they urged that in consideration of their being deprived of the cheap bounty-fed sugar on which so much of their trade had been built up, they ought to be relieved from the burden of the war tax on sugar.

#### THE DEFAULTING EDUCATION AUTHORITIES ACT.

Another most contentious measure introduced by the Government and pushed through its various stages by a vigorous use of the closure was the bill for coercing the Welsh Education Authorities.

In no part of the country was the Education Act of 1902 so bitterly opposed as it was in Wales. Wales is overwhelmingly Liberal. When the Welsh Coercion Act was introduced, there was only one Tory member for Wales in the House of Commons. Wales is also overwhelmingly Nonconformist, the Established Church in Wales being quite as much an English, and therefore a foreign institution, as the Anglican Church in Ireland before its disestablishment by Gladstone in 1868. Nevertheless there are Church schools in Wales, just as there are in England. In most places these schools are parochial rather than Church schools. The larger proportion of the children are Nonconformists and Nonconformist contributions have gone to the building of the school, because a school was necessary and there was no other way of supplying the need.

Under the Act of 1902, all Church schools which came up to the standards of the Board of Education in London became entitled to a share in the money raised by local taxation, while they retained their old boards of managers and much of their freedom from local representative control. Some of the county councils, which now became the education authorities so far as the levying and distributing of the local education rates was concerned, instituted a system of harassing the Church schools, or their conduct towards these schools was so construed by the local managers and by the Education Board in London. They demanded that the schools be brought up to the standards of the Board of Education, both in sanitary arrangements and structural efficiency. The Government inspectors from London had long been aware that most of the Church schools in Wales were below these requirements; but their defects were treated with great leniency and schools were allowed the Government grants without being obliged to keep their schools up to the standards nominally insisted upon by the Board of Education. When therefore the Welsh County Councils, under the Act of 1902, refused grants from local taxation to these schools, unless all their structural defects were made good, the school managers found that an impossible task was put upon them, and they appealed to the Board of Education.

The remedy under the Act of 1902 would have been to mandamus the county councils, and have the cases tried in the law courts. This method would, however, have been slow and cumbrous, and would also have been uncertain in its results; as the councils, whatever the motive for their treatment of the Church schools, had often a colorable pretext for their action; and even if they had been



found in the wrong they would probably have refused to obey the behests of the court. Had they done so, it was pointed out that all the prisons of Wales would not offer sufficient accommodation for the members of the county councils which might be adjudged in contempt, and the odium of imprisoning county councils was something which no Government could afford to face. The Board of Education, therefore, in its anxiety to avoid this dilemma and to relieve the necessities of the Church schools, introduced into Parliament the short 30-line bill, now known as the Defaulting Education Authorities Act.

The Act consists of two clauses, one of which is the purely formal clause containing the short title and providing that the Act shall be construed as one with the Education Act of 1902. The operative part of the bill enacts that "the Board of Education, if they are satisfied that it is expedient to do so, on account of any default of a local authority in the performance of their duties as respects any elementary school, may (a) make orders for recognizing as managers of the school any persons who are acting as managers thereof; and for rendering valid any act, thing, payment or grant, which might otherwise be invalid by reason of the default of the authority, and (b) if it appears to the Board that the managers of the school have incurred any expenses for maintaining and keeping efficient the school, for which provision should have been made by the local education authority, pay to the managers such amount as in the opinion of the Board was properly incurred. Any sums paid by the Board of Education under this Act shall be a debt due to the Crown from the local education authority and may be deducted from any sums payable to that authority on account of Parliamentary grants."

By these provisions of the Act, the Board of Education is practically authorised to pay the local rates, or the proportion of the rates which would go to the Church schools, out of the grants for education from the Imperial Treasury, thus giving the Church schools a double portion of these grants, and leaving the education authorities to make good the deficit for the board schools out of the proportion of the local rates which they have refused to pay to the Church schools.

This easy settlement of the Welsh school difficulty was, however, immediately threatened by the plan of campaign drawn up by the Welsh Liberal Leader, Mr. Lloyd George. Under this plan, whenever the Board of Education shall declare any local authority in



default, all the members of that local education authority and all managers of board schools in their area shall resign; thus throwing on the hands of the Board of Education not only the Church schools, but all the schools of the district. The Board of Education has no authority either to appoint managers of schools, or to levy rates for the support of the schools. Thus if the plan of campaign were carried out, the Board of Education would find itself in a much greater difficulty than that which it tried to escape by pushing the defaulting Education Authorities bill through Parliament. That the cause of education might not suffer in Wales, in the event of any area thus coming into conflict with the Board of Education, a great voluntary organisation is being formed to provide accommodation and to retain the teachers, until such time as Wales can obtain from Parliament what she considers as a fair and equitable settlement of her education question.

#### THE CUNARD AGREEMENT.

The protectionist leanings of Parliament, which were shown in the tobacco schedules of the Finance Act, were also visible in the Cunard agreement. This agreement was made between the Government and the Cunard Steamship Company. But Parliamentary sanction had to be obtained, and for this purpose a short bill was pushed through Parliament in the closing days of the session. The agreement entered into between the Government and the Cunard Steamship Company appeared to the opponents of the Government somewhat one-sided—the advantages leaning to the side of the Cunard Company. Free traders in the House of Commons also objected to the bill as being a form of protection to British shipping, and a particularly obnoxious form, because confined in its operation to a select and favoured few. The Act provides for the advance from the Imperial Treasury of £2,600,000 as a loan to the Cunard Steamship Company, at an interest of  $2\frac{3}{4}$  per cent.—a lower rate, it was stated in the House of Commons, than either the Company or the Government could borrow at in the open market. This loan is to be used by the Company for the construction of fast steamers to be used in the Company's regular services. The vessels are to be constructed according to Admiralty requirements, and are to be at the service of the Government in case of war. As the Cunard Company receives a subvention of £150,000 a year, it may easily be seen that it has found its patriotic determination to remain under the British flag, and to stand aloof from any Anglo-American shipping trust, not altogether unprofitable.

## SHOP HOURS ACT.

In spite of the preoccupation of Parliament with highly contentious measures, a few useful bills of a non-contentious character were passed through all their stages, and found their way on to the Statute Book. Among these is the Shop Hours Act, which was passed in response to a demand that the hours worked by shop assistants should be subject to a legal limit. The retail traders in almost all the provincial towns of England have adopted the shop half-holiday; but, while the stores have been very generally closed on one afternoon of the week, it has been found impossible to bring all the shop-keepers into line, and one of the causes for the agitation which led to the passing of the Shop Hours Act was the desire that these recalcitrant dealers should be obliged to close. The Act may be put into effect by borough or urban district councils. It grants to these local authorities the power to fix the hours of closing of all retail shops in their areas, provided that the hour fixed is not earlier than 7 P. M. five days a week, and on one specified day not earlier than 1 P. M. The order made by a local authority, before becoming effective, must be approved by the occupiers of at least two-thirds of the shops in the area affected, and must be confirmed by the Home Secretary. The only opposition to the Act in Parliament was on the grounds that it did not go far enough, and that it did not limit the hours to be worked by shop assistants after the closing of the stores. Certain businesses, such as the sale of drugs, newspapers, and tobacco, are exempted from the closing orders. The chief effect of the Act will be to force into line those small and struggling concerns which attempt to increase their trade by remaining open when the larger and more prosperous stores are closed.

## SAVINGS BANK ACT.

Another useful and non-contentious measure which became law in the session of 1904 was the Savings Bank Act, which was introduced and piloted through the House of Commons by Sir Albert Rollit, Chairman of the Savings Bank Inspection Committee. The object of the bill was to carry out certain recommendations relative to trustee savings banks, contained in the report of the Select Committee on Savings Bank Funds of 1902, and also in the annual report of the Trustee Savings Bank Statutory Inspection Committee. By the provisions of the Act considerable additional power is given

to savings bank trustees, in respect to defraying savings bank expenses, purchasing, selling, and leasing property, amalgamating two or more banks, making special investments and other matters connected with the management of savings banks. The bill was drawn up with a careful regard to the interests of depositors in these thrift-encouraging institutions, and its treatment in the Grand Committee on Trade and in the House was consistently in this spirit. It is therefore to be counted as a real addition to useful legislation, and as such to be placed to the credit of Parliament in the session of 1904.

Another useful little Act intended to encourage thrift is a ten-line amendment to the Outdoor Relief Friendly Society Act of 1894. By this amendment, boards of guardians for the relief of the poor, when granting out relief, are directed not to take into consideration any sum received as sick pay by a member of a friendly society, except when such sum exceeds five shillings a week. Thus the fact that a man has been provident enough to subscribe to a friendly society will not place him in a worse position, as regards poor law relief, than is occupied by the man who has made no provision for sickness or disability.

#### THE WIRELESS TELEGRAPHY ACT.

An Act of more doubtful wisdom, which passed through Parliament without arousing any great interest or opposition, is the Wireless Telegraphy Act. This Act is in the interest of the Post Office, and aims to create a monopoly in wireless telegraphy for the Government. Under its provisions, it is forbidden to "establish any wireless telegraphy station, or install or work any apparatus for wireless telegraphy in any place, or on board any British ship, except under and in accordance with a license granted in that behalf by the Postmaster General. Wireless telegraphy is defined in the Act as "any system of communication by telegraph without the aid of any wire connecting the points from and at which the messages or other communications are sent and received." Licenses for wireless telegraphy are granted by the Postmaster General and are subject to such rent or royalty as may be fixed by the Department. Provision is made in the Act for the working of wireless telegraphy for the purpose of experiment. "Where an applicant for a license proves to the satisfaction of the Postmaster General that the sole object of obtaining the license is to enable him to conduct experiments in wireless telegraphy, a license for that purpose shall be

granted subject to such special terms, conditions and restrictions as the Postmaster General may think proper; but shall not be subject to any rent or royalty." If a wireless telegraphy station has been established without a license, even if the station be for experiment only, a search warrant may be granted by a justice of the peace, and "the officer named in the warrant may enter and inspect the station and seize any apparatus which appears to him to be used, or intended to be used, for wireless telegraphy therein." The Act extends to the whole of the British Islands and to all British ships in territorial waters abutting on the coast of the British Islands, and the Act may, by orders in council, be made to apply to British ships on the high seas. Foreign ships whilst in British territorial waters are also subject to the provisions of the Act. It provides that "a person shall not work any apparatus for wireless telegraphy installed on a foreign ship whilst that ship is in territorial waters otherwise than in accordance with regulations made in that behalf by the Postmaster General, and the Postmaster General may by such regulations impose penalties recoverable summarily for the breach of any such regulations not exceeding ten pounds for each offence, and may provide for the forfeiture on any such breach of any apparatus for wireless telegraphy installed or worked on such ship." Although this Act was passed with little opposition in Parliament, it has not been received with favour by the scientific world of England. It has been stigmatized as an Act for the prevention of all improvement in wireless telegraphy, and it is also urged that Government is exceeding its powers in asserting a right to confiscate all wireless telegraphy instruments, without reference to whether they are used for private pleasure or amusement, and whether or not they interfere with the Government telegraphic monopoly.

A. G. PORRITT.

**Statistics of University Graduates.** Complete statistics of graduates of Yale University were published last November in the *Directory of Living Graduates*. From these statistics have been compiled the following tables of occupation, geographical distribution, and longevity. It should be noted that the figures deal only with graduates now alive, and have therefore greater significance for the later than for the earlier and more depleted classes.

Table I covers the occupations of the fourteen classes last graduated from Yale College. The plan adopted is that used by Professor Schwab in his discussion of Yale College Vocations, published in the *YALE REVIEW* (November, 1898), which brought the figures

down to 1893. The following table dovetails with those figures, taking up the classes by five-year periods and beginning with 1891. The same division into occupations is here followed, the four learned professions being combined in the fifth column.

TABLE I.  
OCCUPATIONS.—YALE COLLEGE, 1891-1904.

Period.	Law.	Ministry.	Medicine.	Teaching and Science.	Learned Professions.	Business.	Engineering.	Literature.	Farming.	Government.	Miscellaneous.
1891-95	34%	6%	8%	12%	60%	29%	2%	3%	2%	0.9%	2%
1896-1900	31	4	■	12	55	34	2	2	1	0.8	4
1901-1904	24	■	5	13	45	43	3	3	1	0.7	■

The trend most noticeable in this table is the decreasing percentage of professional men, balanced by a like increase in the percentage of men in business. Although the last four classes, 1901-1904, are most liable to future change of occupation, yet it is significant that, as Table I shows, these classes have entered on business and professional life in almost equal proportions, 43 per cent. and 45 per cent., respectively. This fact emphasizes what has been already pointed out by Professor Schwab, that the college graduate is increasingly a man of affairs. Teaching remains stationary, but the ministry attracts only two-thirds as great a percentage of the classes of 1891-1904 as it did of the classes of 1875-1890.

Table II concerns the living graduates of the Sheffield Scientific School. They are arranged in ten-year periods, the division into occupations being the same as for Yale College.

TABLE II.  
OCCUPATIONS.—SHEFFIELD SCIENTIFIC SCHOOL.

Period.	Law.	Ministry.	Medicine.	Teaching and Science.	Learned Professions.	Business.	Engineering.	Literature.	Farming.	Government.	Miscellaneous.
1852-60	3%	2%	5%	20%	30%	18%	13%	..	10%	5%	24%
1861-70	3	..	3	13	19	36	20	2%	4	1	18
1871-80	10	1	8	11	30	38	20	0.6	4	3	4
1881-90	5	0.8	14	8	28	41	18	1	3	2	6
1891-1900	8	0.4	7	5	20	47	24	0.9	1	0.5	7
1901-1904	5	..	5	7	17	38	38	0.8	1	0.4	5



Sheffield graduates show an almost steady increase in the number who have taken up engineering. The percentage has risen in fifty-two years from 18 per cent. to 38 per cent. Business and the learned professions show fluctuations, but roughly speaking, the professional percentage has fallen off as the business percentage has risen. Teaching presents a scarcely interrupted decline. The farming percentage has fallen steadily in fifty years from 10 per cent. to 1 per cent. In the Scientific School, as in the Divinity and Law Schools, the earliest classes contain the largest percentage of farmers, due no doubt to the retirement of older graduates from active or city life to the country.

Table III covers the living graduates of the Divinity School.

TABLE III.  
OCCUPATIONS.—YALE DIVINITY SCHOOL.

Period	Law	Ministry.	Medicine.	Teaching and Science.	Learned Professions	Business	Engineering.	Literature.	Farming	Government	Miscellaneous
1867-80	2%	64%	2%	19%	87%	2%	...	2%	...	..	5%
1881-90	1	72	2	18	93	2	..	1	0.4	1%	1
1891-1900	1	82	0.7	10	94	2	...	0.7	0.7	...	3
1901-1904	...	88	...	9	97	...	...	...	...	..	3

Two tendencies alone need be noted. The proportion in the ministry has steadily risen, while the number in teaching exhibits a continuous decline. Many men start in the ministry and later drop into teaching, which explains the phenomena just noted.

TABLE IV.  
OCCUPATIONS.—YALE MEDICAL SCHOOL.

Period.	Law	Ministry	Medicine	Teaching and Science	Learned Professions.	Business.	Engineering	Literature.	Farming.	Government	Miscellaneous
1837-50	...	...	60%	..	60%	5%	...	..	...	..	35%
1851-60	...	...	83	..	83	2	...	...	...	..	12
1861-70	...	..	77	2%	79	6	2%	..	...	2%	11
1871-80	...	3%	83	6	92	1	...	..	..	..	7
1881-90	2%	...	94	...	96	2	...	..	..	..	2
1891-1900	...	...	96	2	98	0.5	...	...	...	0.5	1
1901-1904	..	...	100	..	100	...	...	..	..	..	..

Table IV, presenting the occupations of the Medical School living graduates, displays one important tendency. Ignoring the meager figures for the classes of 1837-1850, the percentage of graduates going into medicine has risen in half a century from 83 per cent. to 100 per cent. The only break in the rise appears among the classes that graduated during the Civil War, which classes have, on the other hand, relatively large percentages of business men and government employees.

Table V comprises the living graduates of the Law School.

TABLE V.  
OCCUPATIONS.—YALE LAW SCHOOL.

Period.	Law.	Ministry	Medicine	Teaching and Science.	Learned Professions.	Business.	Engineering.	Literature.	Farming.	Government	Miscellaneous
1846-60	50%	..	..	3%	53%	6%	..	3%	13%	..	25%
1861-70	67	3%	..	..	70	12	..	9	3	..	6
1871-80	66	0.6	..	4	71	12	..	3	1	0.6%	13
1881-90	73	2	..	2	77	9	..	3	0.7	1	10
1890-1900	80	0.3	0.2%	2	82	7	0.2%	0.7	0.7	2	7
1901-1904	88	..	..	0.4	88	6	..	..	..	0.4	5

Here, as in the Medical School, the noticeable feature is the rise in the percentage of men who have entered the profession for which they trained themselves. The figures have increased from 67 per cent. for the classes of 1861-1870 to 88 per cent. for the classes of 1901-1904. This is partly due to the change of many from law to business after a period of practice. The rise in the percentage of lawyers in the classes of 1861 and after goes hand in hand with a fall in the percentage of business men in the same classes. The younger graduates, then, enter law practice at once, but may later shift to a financial or mercantile occupation. The figures for literature, in the war classes as high as 9 per cent., have now dwindled to nothing.

Table VI summarizes the geographical distribution of the graduates of each department. The divisions used are those of the reports of the United States Bureau of Education, Delaware and Maryland being classed with the South Atlantic States, Kansas, Nebraska, and the Dakotas with the North Central. Under the heading, "Other Departments," are grouped all graduates not otherwise treated, with the sole exception of honorary graduates.

TABLE VI.  
GEOGRAPHICAL DISTRIBUTION.—YALE UNIVERSITY.

Department	North Atlantic	South Atlantic	North Central	South Central	West	Alaska-Innular	Foreign	Unspecified
College .....	69%	4%	17%	3%	4%	0.6%	2%	0.6%
Sheffield .....	66	4	18	2	6	0.8	2	1
Theology .....	49	3	27	2	8	0.7	8	1
Medicine .....	83	3	4	0.7	3	0.6	2	4
Law .....	65	4	15	3	7	1	1	4
Other Departments....	46	13	20	4	7	0.5	9	1

Of the graduates of the three largest departments—College, Law and Scientific Schools—approximately two-thirds have remained in the North Atlantic division. The Divinity School retains less than half her graduates in this division, while the Medical School stands at the other extreme with five-sixths. The Medical School clearly supplies an Eastern demand. Divinity graduates scatter much more widely, over a fourth settling in the North Central States, 8 per cent. in the West, and 8 per cent., mainly missionaries, in foreign lands. The figures tabulated under the head of "Other Departments" represent a miscellaneous set of conditions. The large percentage in the South Atlantic division is due to the fact that many Forest School graduates have headquarters in Washington, D. C. The 9 per cent. of foreign residents includes a large number of Japanese who have studied in the Graduate School.

The two final tables discuss the longevity of Yale College graduates of the classes 1863–1904. The tables are of necessity only approximate, since an average age was employed for each class and all fractions of a year under six months were disregarded. Of the forty-two classes tabulated, nine are taken as graduating at the age of 22, thirty-two at the age of 23, and one, the class of 1899, at the age of 24.

The first column gives for each class the percentage of living members to the original total. The second column represents the expected percentage if the death-rate were that of the American Experience Table of Mortality. The third column shows the ratio per cent. of the actual number alive in each class to the hypothetical tabular figure. The range of this ratio is a wide one, going from 93.8 per cent. for the class of 1875 to 118.9 per cent. for the class of 1877. The highest and lowest ratios thus appear, without apparent reason, in classes that graduated but two years apart.

Table VIII recapitulates the figures of Table VII by ten-year periods.

TABLE VII.  
LONGEVITY.—YALE COLLEGE, 1863-1904.

Class.	Percentage living, 1904		Percentage actual to tabular.	Class.	Percentage living, 1904		Percentage actual to tabular.
	Actual.	American Experience Table.			Actual.	American Experience Table.	
1863	57.1%	56.6%	100.9%	1884	90.1%	83.8%	107.5%
1864	66.7	60	111.1	1885	91.9	84.6	108.6
1865	64.4	60.5	106.4	1886	89.2	85.5	104.3
1866	72.2	63.5	113.6	1887	90.	86.3	104.3
1867	67.	64.2	104.3	1888	92.3	87.2	105.4
1868	72.5	65.6	110.5	1889	94.5	88.	107.2
1869	67.2	68.1	98.7	1890	95.6	88.3	111.
1870	75.4	68.8	109.6	1891	95.7	89.7	106.6
1871	78.9	70.4	112.	1892	92.7	90.4	102.6
1872	78.3	71.3	109.8	1893	92.5	91.2	101.4
1873	80.7	73.2	110.2	1894	94.5	92.	102.7
1874	84.6	74.4	113.6	1895	95.6	92.8	103.
1875	70.8	75.5	93.8	1896	96.7	93.6	103.3
1876	72.4	76.5	94.6	1897	96.	94.4	101.6
1877	91.6	77.2	118.9	1898	100.	95.2	105.
1878	79.8	78.2	102.1	1899	96.9	96.	100.9
1879	84.7	79.2	106.9	1900	99.1	96.8	102.3
1880	85.2	80.1	106.4	1901	100.	97.6	102.4
1881	84.6	81.1	104.3	1902	99.3	98.4	100.9
1882	87.6	82.	106.8	1903	99.	99.2	99.8
1883	89.2	82.9	107.7	1904	100.	100.	100.

TABLE VIII.  
LONGEVITY BY DECADES.—YALE COLLEGE, 1863-1904.

Period.	Percentage living, 1904.		Percentage actual to tabular.
	Actual.	American Experience Table.	
1863-70	67.6%	63.4%	106.7%
1871-80	80.9	75.7	106.9
1881-90	90.8	85	106.8
1891-1900	96.3	93.6	102.8
1901-1904	99.55	98.84	100.7

This table eliminates fluctuations from year to year and presents a remarkable uniformity of ratio for the first four periods. The drop of 6 per cent. for the last period only emphasizes Professor Newton's conclusion (Dexter's "Yale Biographies and Annals," First and Second Series) that college graduates exhibit a high death-rate in the first years after graduation, "no doubt due to the strenuous efforts of young graduates to attain a good position in their profession." The table shows clearly, however, that the rate diminishes relatively to the normal in later life.

JULIUS H. PARMELEE.

Yale University.

**Eugenics.** Since the opening of the new century a considerable interest seems to have developed in the bearing of evolutionary doctrines and processes upon the life of man and of human society. We have seen, for example, the publication of the prize-monographs of the Haeckel-Conrad-Fraas contest; of Metchnikoff's "Nature of Man"; H. G. Wells's rather eccentric "Mankind in the Making"; Stratz's *Naturgeschichte des Menschen*; the translation into German of Fahlbeck's "Adel Schwedens," a study largely of the biological conditions of class-persistence and extinction. Then came the establishment of the "Zeitschrift für Rassen-Biologie"; and, most recently, that of the Sociological Society, the first output of which (*Sociological Papers*, 1904) deals in very large part with man-breeding. Doubtless many more publications along the same line have seen the light within recent months. However, an especial interest attaches to these sociological papers, for their dominant note is set by the famous pioneer in evolutionary thought, and author of "Hereditary Genius," the tireless octogenarian, Francis Galton.

Galton proposes a new science of man-breeding—or stirpiculture, as he once called it—to which he gives the name Eugenics. "The aim of Eugenics is to represent each class or sect by its best specimens; that done, to leave them to work out their common civilization in their own way." The author's interest is more than academic; he has advanced a sum which is to cover the beginnings of scientific investigation along lines which he suggests for the consideration of the Society. He wishes for the "dissemination of a knowledge of the laws of heredity as far as they are surely known"; for historical inquiry into the contribution of various classes to population; for the systematic collection of data on the "conditions of Eugenics"; for the consideration of influences affecting marriage; and for a persistent demonstration of the national importance of the wholesome breeding of men. A "Eugenic Investigation" from the same energetic hand follows, as an exemplar of a special method of dealing with the subject; it is on the lines of the "Hereditary Genius." Inasmuch as the program of the Sociological Society has provided for the discussion of this paper, and others, by eminent scientists, and as even the press comments upon it are appended to the report, the bulk of the strong and weak points of the proposition have been, in one place or another, set forth. Many of these are self-evident: for example, the fact that scarcely anything definite can be stated dogmatically, as it must be for popular acceptance, regarding the laws of inheritance. The argument from human nature



has received poetic expression from Dr. Maudsley. And so on. It seems, however, that hardly anyone has conceived the essentially cautious and temperate statement of the case so characteristic of Galton as well as of his more famous cousin. What Mr. Galton asks is, above all, study of the problem. Beyond that he suggests only the impact of influence, not upon law-makers, but upon public opinion. Eugenics, as a policy, must be a system of negative rather than positive precepts.

That the scientific control of human breeding is vital for the race, any scientist, or any practical breeder of animals, would probably admit. Beside constituting a branch of fascinating research, this Eugenics would thus present attractions to one who looked for more than academic conclusions. Moreover it seems likely that a body of facts could be assembled which would in time bring home to inferior minds truths such as Darwin's avalanche of evidence has established during the last half-century. It may of course be a chimaera to hope that men would, in such a case, act at the dictate of reason rather than feeling; men probably would not do so. However, in the course of time, and for some reason inadequately mirrored forth in human history, rational judgments manage to get themselves translated into the less dignified but more effective form of irrational feelings. It takes some suffering to effect such a change; possibly it could not come without a preliminary procrastination or display of inertia which would necessitate a considerable journey down the road of race-degeneration before the dull or preoccupied intelligence would begin to sense the dangers and the pain of maladjustment.

However, if anything can be done—and men are bound not to cringe from effort with a mere denial—the way marked out by Mr. Galton is the only way, now that Mount Sinai is no more. An encouraging feature is that the lending of Galton's respected name and unequivocal support will already have done much to silence the sort of ridicule once endured by his intellectual forebears, for instance, Malthus. The simultaneous movement in other countries toward the study of human and societal evolution is rather ominous of another of those general movements of thought which have periodically moulded whole periods of human ideas and history.

A. G. K.

**The Sociological Society.** The definite advent of this body into the field of science is witnessed by the publication of its first volume of papers, the chief of which has been noticed above. With this leading essay should in reality be considered the one on Civics

by Professor Geddes, co-author of the "Evolution of Sex," and expert attached to Mr. Carnegie's Trust for the improvement of Dunfermline. Professor Geddes extends Mr. Galton's terminology and proposes an "Eu-politogenics"; his discussion of the natural location and possibilities of betterment of dense human groups is on a par with the general excellence of his work.

But, to turn to the more purely sociological essays, passing over the apt introductory address of Mr. James Bryce—Mr. Victor Branford treats, but in no luminous manner, the "Origin and Use of the Word Sociology"; a sociologist feels but little surer of the faith that is in him by reason of this paper and its discussion. He is inclined for the moment to accept Professor Karl Pearson's general objection to a Sociological Society—that no one has yet created a sociology. However, terminology is always disappointing, and can wait on further development of the science, whether at the hands of some highly endowed individual or some school. Abstracts of two papers on the "Relation of Sociology to the Social Sciences and to Philosophy," by Professor Durkheim and Mr. Branford, with attendant discussion, serve simply to bring out the naturally divergent view-points of many men, and to further emphasize the wisdom of investigation over systematization in the early history of a science. An excellent summary of the "Position of Woman in Early Civilization," by Dr. Westermarck; and a rather irrelevant study of "Life in an Agricultural Village in England," by Harold H. Mann, complete the list of essays. An appendix setting forth the origin and aims of the Society, and recounting some public comment on the movement, closes the volume.

On the whole, the outcome is disappointing so far as sociology goes. A new science cannot be justified by words; and it can wait to have its place in the hierarchy of disciplines marked off by rod and chain. Professor Pearson may be right in thinking that sociology lacks its master-mind; but the master-mind relies upon the results of many antecedent humble workers, and these in sociology are as yet few. Spencer undoubtedly had his faults, but one of the chief defects of his sociology was rather his misfortune; this was the meagreness of his material, gotten together more or less fortuitously, as it had to be, by the relatively brief effort of two or three faithful coadjutors. The tendency is, and has been, in sociology, to theorize rather than to dig; and the smaller men often theorize the most shamelessly. Despite the great excellence of some of the sociological papers, the work of the sociological society does not impress one as foreshadowing any great clarification of the science which it professes.

A. G. K.

## BOOK REVIEWS.

*The Principles of Relief* By Edward T. Devine, Ph.D., LL.D.  
New York: The Macmillan Co., 1904—pp. 495.

Dr. Devine's new book may be regarded as an expansion of his earlier treatise on the Practice of Charity, though several subjects such as volunteer service and the church in charity are treated more fully in the smaller work. While the necessity of personal uplifting influence is frequently emphasized, it is the relief element in charity work which is kept at the center of the discussion.

The title of the book applies especially to Part I, which aims to set forth the principles which should guide a community in its work of affording relief to its dependent members. Dr. Devine believes in relief. While recognizing the corrupting influence of relief when poorly administered, he believes that social reformers have sometimes been too much afraid of it, and that under proper guidance relief funds much larger than those now available can be made to serve a useful purpose without pauperizing the beneficiaries. He even intimates (pp. 12, 13, 462) that relief measures may serve to distribute the burdens of industrial displacement, grant indemnity for losses in public disasters, and "enable society to eradicate completely great evils with which it has heretofore temporized." Aside from these few passages, which appear somewhat visionary, the book is eminently sane and practical—such as we should expect from one who has taken so large a part in the practical and progressive administration of relief. Chapters upon "Relief as modified by the Constitution of the Family," "The Breaking up of Families," "Dependent Children," "Family Desertion," "Intemperance," and "Industrial Displacement," are well filled with sound advice upon a great variety of issues which present themselves to the charity worker.

Perhaps the chief contribution which the author makes to the theory of charitable relief is in the formal introduction to this field of the principle of a normal standard of living. "A sound relief policy demands, however difficult the task, a clear demarcation between those who are and those who are not to receive relief."<sup>1</sup> "The principle for which we are seeking is to be found in the

<sup>1</sup> Page 16.

formulation and general acceptance of the idea of a normal standard of living, and the rigid adoption of either disciplinary or charitable measures, as may be found appropriate and necessary for those families and individuals whose income and expenditures do not conform to such standard."<sup>1</sup> When "the natural and normal income of the family is sufficient to maintain the standard of living, charitable relief should invariably be refused."<sup>2</sup> "It is equally true that those who find themselves unable to maintain the standard of living which is accepted by the community as normal should have assistance, and that such assistance should always, if possible, be of a kind that will eventually remove the disability."<sup>3</sup>

"If these four conditions are observed: I. discrimination based upon full knowledge; II. disciplinary treatment of those who are criminally responsible for dependence; III. relief with intelligent oversight for those who cannot maintain a normal standard of living; IV. the refusal of all charitable support to those who can—there may be practically unlimited increase in the funds available for relief, without either danger of pauperization or danger of exceeding the need."<sup>4</sup>

After some discussion of what must be included in a normal standard of living, the author ventures the estimate that in New York City for a family of five persons to maintain such a standard an income is required of six hundred dollars, or perhaps, since the recent rise in prices, seven hundred dollars per annum. This standard, however, could hardly be applied to all, as the author distinctly repudiates the proposition to supplement ordinary wages with charitable assistance, as tending to continue an inadequate scale of wages.<sup>5</sup> There must evidently be group standards as well as a more general standard for the community. The difficulty also remains of determining what to do with the numerous applicants who are temporarily unable to maintain the standard of living because their natural abilities are not fully utilized.

The charity worker who expects to find his problems solved by this exposition of the principles of relief may meet with disappointment; not because the author has failed in his undertaking, but because the family conditions that are dealt with, and the available resources, personal and material, are so infinitely varied that general statements must be accepted with reserve. The whole discussion, however, brings out the necessity of complete knowledge of the

<sup>1</sup> Page 19.<sup>2</sup> Page 21<sup>3</sup> Page 22<sup>4</sup> Page 24<sup>5</sup> Page 35



family conditions, of trained guidance in meeting the problems as they arise, and of a spirit in relief work which recognizes the possibility of accomplishing definite results of permanent value.

Part II consists of a somewhat detailed digest of seventy-five case records. This presentation of actual cases serves to illustrate in concrete form the principles set forth in the preceding chapters, and also serves to reveal to the reader the fact of the essential individuality of each case that comes up for decision.

Following this as Part III are three historical chapters on "The Reform of the English Poor Law," "Public Outdoor Relief in America," and "Private Outdoor Relief in America." The author thinks that too exclusive credit is given the reform of the English poor law for the improvement of social conditions during the second quarter of the past century, yet the curtailment of public outdoor relief, both in England and in this country, seems to have been uniformly beneficial. The relief of families in their homes is thought to be the proper function of the individual benefactor and the private organized charity, while the state and municipality should provide more adequately than at present for institutional care and sanitary oversight. The chapter on private relief includes an exposition of the aims and methods of a modern charity organization society.

The fourth and final section of the book consists of seven chapters on relief in disasters, giving historical accounts of the relief work following the Chicago fire, the Johnstown flood, the fire and flood in Paterson, the industrial distress of 1893-94, the Baltimore fire, and the "Slocum" disaster. The utility of such a compilation is obvious.

The Johnstown flood and the sinking of the General Slocum brought forth such ample relief funds that the principle of indemnity for losses incurred was partially applied, and Dr. Devine expresses the opinion that the effect was not pauperizing. Yet the scramble for money which occurred upon both these occasions, actuated not by destitution, but by the knowledge that funds were at hand, presents a decidedly unpleasant picture. The work of the Baltimore relief committee after the great fire of February, 1904, is more edifying. Through the leadership of men thoroughly versed in all phases of charity work, a remarkable example of coöperation and self-help was developed; so that, while a fund of \$170,000 was available from a State appropriation, only \$21,600 was used. The courageous independence manifested by the rank and file of the



people of Baltimore upon this occasion will be looked back upon with pride and satisfaction by all concerned. The saving in money to the State is outweighed by the saving in self-respect to the city and its people.

DAVID L. GREEN.

*Methods of Industrial Peace.* By Nicholas Paine Gilman. Houghton, Mifflin & Company, Boston. London: Macmillan & Company.

In this notable volume of four hundred pages Mr. Nicholas Paine Gilman adds to his reputation as a close student of practical industrial problems. He writes with skill and precision. The data on which his conclusions are based are abundant and have been carefully sifted. Consequently, where less thoroughly equipped writers in point of exact information would hopelessly flounder, Mr. Gilman delineates with a sure hand the existing obstacles to industrial peace. He suggests remedial measures with convincing earnestness of statement. He writes "like a human being" on labor subjects, as Bagehot would say, and mere theories of reform and progress are inexorably brought to the touchstone of existing realities in that testing process by which the dreamer is distinguished from the man of hard, shrewd, unfailing common sense.

In a field where four or five small volumes, the latest now ten years old, exhaust the list of published attempts to solve the riddle of industrial peace, an up-to-date breadth of view is imperative. This breadth is a most satisfying quality in Mr. Gilman's work. He begins by stating that by industrial peace we are to understand the condition of things in which the ordinary processes of industrial production go on regularly and quietly. His first chapter on "Association in Modern Industry" points out some hindrances to the achievement of such peace. He does not mince matters in describing the "militant"—that is to say, the unlawful and reckless acts of the Trade Union and its sympathizers when the controversy between men and masters reaches the acute stage, although Mr. John Mitchell in his "Organized Labor" considers such reports of violence as "grossly exaggerated"! Mr. Gilman deprecates the prevailing looseness of statement which describes as "slaves" men who work for a living on day wages. In fact, he calls such declamation "insufferable cant," which expression, from an authority whose general attitude toward wage-earners is most sympathetic, should tend to soften the somewhat acrid vocabulary of certain labor leaders. The author emphasizes the widespread

tendency at the present time to vast combinations in trade and manufacturing, and approvingly, but, as Mr. Edward Atkinson has recently shown in a significant paper, there is also a marked and growing tendency toward an increasing number of small workshops, each under individual control. If Mr. Atkinson's contention is sound, the way of industrial peace would seem to open encouragingly by proposing a return to more intimate and confidential relations between the one employer and operatives so few that the personal attitude supplants the impersonal. It must be confessed, however, that the burden of proof rests heavily on Mr. Atkinson's shoulders!

Passing from "Association in Modern Industry" to some phases of the labor situation which serve as side-lights on the problem of industrial peace, Mr. Gilman reviews at length in successive chapters "Combinations of Employers," "Combinations of Employees," "Collective Bargaining," "The Sliding Scale," "The Incorporation of Industrial Unions," "Conciliation and Arbitration," and cognate interests. The difficulties, the encouragements, the drawbacks, the strength or weakness of measures suggested on these lines are analyzed with much thoroughness and with no small degree of penetration in discovering the precise nature of obstacles to be overcome in securing industrial peace. One of the shortest chapters in his book is devoted to some consideration of "The Rights and Duties of the Public" in all disputes between workmen and employers. This chapter is also one of the most suggestive in that the author cogently and fearlessly affirms the right of this great "Third Party," the general public, to a voice in the settlement of acrimonious and costly conflicts between labor and capital. "We will not allow virtual anarchy to exist," says the general public to the disputants. "when we have put you in a position to bargain freely and fairly."

Possibly some dyed-in-the wool disciple of the Manchester school, lingering superfluous on the economic stage, might dissent vehemently from this proposition; but the author's contention in this particular, however inimical to the methods of reasoning employed by Mr. Baer and certain of his *confrères*, will receive the support of the vast majority of intelligent students of social problems.

In his review of "Legal Regulation of Labor Disputes in New Zealand" Mr. Gilman very properly warns us that although the system there (one of conciliation and arbitration) has been a great success for eight years, it would be a serious mistake to accept a

final judgment on the basis of good times alone. If our memory serves with accuracy, a recent titled Governor of the Colony who gave to the public a most encouraging report of results accomplished in the conduct of New Zealand's experiment, uttered the same warning. Mr. Gilman's constant appeal in his present volume is to the good sense and fairness of the average man, and trusting to this quality, he prophesies, diffidently, to be sure, but firmly, that the friendly attitude of the workers toward the law will be paralleled by the attitude of the employers and that there will be a substantial acceptance of the system of conciliation by the workers, even when it operates mainly against them!

In his final summary of the "Essential Conditions of Industrial Peace" Mr. Gilman insists, first of all, on a clear recognition by employer and workingman of the *conditions* which *actually* prevail. The man who sees things as they are and not as he would like them to be has some basis for intelligent activity in bringing about a more satisfactory industrial status. The author would also insist that in every collective agreement between employers and employed there shall appear a stipulation that, in case disputes arise under the agreement, resort shall be had to some form of arbitration. These points gained, he has "great faith" in the "essential" reasonableness of American capitalists and workmen, and in the "good sense and reasonableness" of the public. In an age of doubt, where pessimism is a chronic malady, it is refreshing to meet with such optimism, optimism which must override many dark and ominous tendencies in the world of labor. We confess to much encouragement in the perusal of this volume. Without seeking to evade the ugliest facts of experience and observation, Mr. Gilman persistently infuses a cheerful coloring. This necessarily brief review is most inadequate to convey even the scantiest summary of the positions maintained. A thorough perusal of "Methods of Industrial Peace" will serve to acquaint the reader with the grounds on which optimism for the future of industry demands a hearing.

FREDERICK STANLEY ROOT.

*Poverty.* By Robert Hunter. New York: The Macmillan Company, 1904—pp. ix, 382.

The use of the single word "Poverty" for the title of a book published as a contribution to sociological thought and study may not unreasonably be understood to signify a general and more or less exhaustive treatment of the subject of poverty. Any one,

however, who is interested in the study of the problems of poverty as a whole, and who takes up this volume with this interpretation of the title, will find his anticipations unrealized. Only the first chapter, covering sixty-five pages, deals with poverty in general, and the greater part of this chapter is given over to an estimate of the number of people in the United States who are "in poverty." The remaining chapters are devoted consecutively to the pauper, the vagrant, the sick, the child, the immigrant, with a final chapter containing a statement of conclusions. It is in connection with what the author says in the preface, however, that the book as a whole must be judged. Mr. Hunter states specifically that "the book is not a scientific or exhaustive study, endeavoring to deal with all of the conditions, causes, and problems of poverty" (p. vi). "It has all the limitations of a book which, if not altogether personal, is at any rate based entirely upon facts gained by personal observation" (p. vii). It is, therefore, a study of only those conditions of poverty with which the author, as he himself says, has become most familiar in his twelve years of "work in a variety of movements intended either to diminish the number of dependents or to ameliorate the conditions of poverty." Other conditions and causes are almost entirely disregarded. Individual causes, as distinguished from social causes, are also omitted from consideration. The author holds that the mass of the poor are bred of miserable and unjust social conditions, due to the wrongful action of social and economic forces: the individual causes of poverty "should be eradicated by the individual himself, with such help as his family, the teachers, and the preachers may give him" (p. 63); but the wrongful action of social and economic forces is a preventable thing, and the one aim of the book as a whole is "to show the grievous need of certain social measures calculated to prevent the ruin and degradation of those working people who are on the verge of poverty" (p. viii). It is in emphasizing this need and in making it the key-note of his book that Mr. Hunter has sounded a note which ought especially to be heard during a period of great industrial strife for material gain, and so effectively has he done his part that he will undoubtedly contribute not a little toward more definite and unremitting activity in the direction of meeting adequately this unquestioned need.

Perhaps the most striking generalization is the assertion that "10,000,000 persons in the United States are in poverty." The weight given this estimate by the author and the fact that it indi-

icates a greater amount of poverty in this country than is generally thought to exist, make it worth while to examine somewhat closely the manner of arriving at this figure. It is to be noted that while the author is careful to distinguish between poverty and pauperism, pointing out that it is an important distinction, he nevertheless insists that "paupers must be included among those in poverty" (p. 5), and therefore in the 10,000,000 he includes the 4,000,000 persons who are now dependent upon the public for relief, taking as the basis for this latter estimate that adopted by Professor Ely in 1891 (p. 21. Reference to *North American Review*, April, 1891). The former estimate has been made quite apart from the latter, but the reader is given to understand that all persons dependent upon any form of public relief are to be classed with this 10,000,000 in poverty (p. 60). The line of argument which is followed is that of gathering together statistics of poor relief, of unemployment, of wealth distribution, of accidents, diseases, casualties, etc., various "fragments of information indicative of widespread poverty," thus presenting cumulative evidence of the great number of people in the United States who are in poverty, that is to say, "underfed, underclothed, and poorly housed." To the author's use of statistics some exception must be taken. For example, certain statistics are given of the demands made upon public and private charity in New York during the three years 1897, 1898, 1899 (p. 23). The figures used were compiled from the records of the New York State Board of Charities. They give the total number of applicants who received relief during each of these years in state institutions, in hospitals, in dispensaries, and in the form of outdoor relief. The sum total for the year 1897 is 2,113,204, and for the year 1899, 1,788,927. Mr. Hunter observes that "it would not be reasonable to believe that 29 per cent. of the people of New York found it necessary in the year 1897, or 24 per cent. in 1899, to apply for relief," and that there must be many duplications in these figures. He accordingly makes an allowance for duplications (admittedly arbitrary but one which he evidently considers amply sufficient) by excluding half the number of persons relieved in dispensaries. In this way the conclusion is reached that 19 per cent. of the people of New York State in 1897, and 18 per cent. in 1899, were "in distress."

A still more surprising conclusion is reached with reference to conditions in the city of Boston—"20 per cent. of the people of Boston in distress" during the year 1903 (p. 25). This figure was obtained by comparing the total number of persons who, in



the course of twelve months, were in any way supported by the city, either in hospitals or jails, or as paupers, or as juvenile delinquents, with the estimated population of the city on December 1, 1903. In the document (Bulletin of the Statistics Department, City of Boston, Vol. VI, Nos. 4 and 5, Appendix) from which Mr. Hunter quotes, it is stated in so many words that the total number of persons supported or aided by the city in all of these ways on December 1, 1903, constituted 1.57 per cent. of the estimated population on that date. Yet it is upon the basis of his figures with reference to the "distress" in Boston and in New York State, together with the figures that 14 per cent. of the families of Manhattan were evicted in 1903, and that about 10 per cent. of those who die in Manhattan have pauper burials, that Mr. Hunter writes: "On the basis of these figures it would seem fair to estimate that certainly not less than 14 per cent. of the people, in prosperous times (1903), and probably not less than 20 per cent. in bad times (1897), are in distress" (p. 25).

As exemplified in the above citations, the author's use of statistics is nothing less than reckless and untrustworthy. It may be true that there are 10,000,000 persons in the United States who are "in poverty" or who are "underfed, underclothed, and poorly housed," but one cannot accept with any degree of confidence an estimate based on grounds no more secure than these.

It is to be regretted that Mr. Hunter did not make a more judicious and careful use of his statistical material. There is much else that is of interest and value in the book. His insistence upon preventive rather than repressive measures in dealing with pauperism, upon proper provision for healthful working and living conditions for the poorly paid workingman, upon the safeguarding of child life, upon immediate modification of the policy of unrestricted immigration, is admirable and forcible. The reforms which he advocates "contemplate mainly such legislative action as may enforce upon the entire country certain minimum standards of working and living conditions" (p. 338).

By an ingenious reference device the foot notes are relegated to the back of the book and there form a list of authorities. Appendices, covering twenty pages, add materially to the fund of information presented in the text. Rowntree's "Poverty: A Study of Town Life" is repeatedly referred to under the name of Rountree.

J. E. CUTLER.

Wellesley College.

*The Political Theories of the Ancient World.* By Westel Willoughby. New York: Longmans, Green & Co., 1903.

The appearance of Professor Willoughby's *Political Theories of the Ancient World* following so closely upon the publication of Professor Dunning's *History of Political Theories, Ancient and Medieval*, gives conclusive proof that political philosophy does not remain uncultivated in American universities. Each of these studies is distinctly creditable to American scholarship. In sympathy, breadth of treatment, and thoroughness of grasp, these studies compare favorably with similar work by German scholars. English and French literature has hitherto offered comparatively little in the history of political philosophy.

Professor Willoughby's book, like that of Professor Dunning, purports to be the first installment of a treatise to be continued in succeeding volumes. In his preface therefore he writes an introduction to "a number of volumes." It is the purpose of the treatise begun in the present volume to present "a history of political ideas of the periods covered," not "a digest of political literature" (p. ix). The work undertakes to notice contemporaneous political practice and current ethical and metaphysical speculations as well as formal political literature. It resembles therefore in some respects a philosophy of history, and it is in these respects that the author reveals clearly the influence of contemporary sociology.

The volume under review is divided into two parts, the first treating of Oriental and Greek political theories, the second, of Roman political theories.

An introductory chapter of ten pages is devoted to a general study of primitive political ideas, in which the initial social groups, the family, clan, tribe, are considered. The conclusion is reached, that the "origin of real political authority" is found in "the tribe and in the control which it exercises over its members" (p. 8). In his treatment of primitive political ideas the author seems to the reviewer to have gone, perhaps, too far in regarding religion as a cause of national or tribal unity, rather than as an expression of it and as a means of realizing and justifying it.

An equally brief chapter presents a general survey of Oriental political philosophy, followed by a short special study of the political theories of the Hebrews. The Orient, speaking in general, never reached the "Age of Discussion." Consequently it was not "possible for a political philosophy as an independent philosophic discipline to arise. . . . Political philosophy could not begin

until political liberty appeared in sufficient degree to give to the individual the right to question, in thought and word at least, the ethical bases upon which existing political institutions were founded" (p. 16). The Hebrew *torah* and the Greek *themis* are recognized as having a parallel development. The prominence of the Hebrew people by the side of priest, prophet, and military leader, as partners and agents in the acceptance and promulgation of law, is luminously sketched.

Political philosophy proper began with the Greeks, specifically with the Greek sophists. Professor Willoughby lays great stress upon the limitations of the Greek city state as a theatre for the development of concepts of civic freedom and legal rights in contrast with the larger life of the Roman state. The Greeks, of course, are recognized as brilliant interpreters of their own social constitution, and the fundamental ethical aspects of human association.

After a careful analysis of the general characteristics of Greek philosophy, its naturalness, the Greek idea of law, the Greek conception of the nature of the state and its rights to be, the political philosophy of the sophists and of Socrates receive separate attention by an elaboration of Zeller's thesis that "Socrates aimed at a knowledge by which the state might be reformed; the Sophists at one by which it might be governed." Socrates stood for two principles in opposition to the rampant democracy of the time, the election of an educated magistracy and the administration of the state in the interest of the ruled. Plato's *Republic*, the *Laws*, and the *Statesman*, each receive separate exposition. In his discussion of Plato, as well as in other parts of the volume, the author's acquaintance with the later developments of philosophy aids him in the exposition of his theme. While concluding with others that Plato is a moralist rather than a publicist, he nevertheless recognizes that Plato has done far more for political philosophy than to present merely an idealized form of the Spartan constitution.

The author briefly reviews the *Cyropadia* of Xenophon before passing to the systematic *Politics* of Aristotle. Himself something of a speculative philosopher, Professor Willoughby finds the *Politics* of Aristotle "a work predominantly practical in character." Why not say, essentially scientific? "Ideals are framed, to be sure, and the means for their realization stated, but they are ideals such as lie within the ordinary competence of a civil organization to secure." What other ideals should a publicist frame?

The study of Greek political theories closes with an account of the political philosophy of the Stoics and the Epicureans, and a very suggestive examination of the value of the Greek civic ideal. Here we are brought from Plato and Aristotle to Kant and Hegel. The elementary ideas of liberty and law, which in the Greek mind were in conflict, attained unity in the synthesis of Hegel.

Within the limits of this review I have not space to present adequately the content of the second part of the volume, Roman political theories. Though much shorter than the first part, it is not less important. Indeed it is perhaps more important. Professor Willoughby contends correctly that the Romans have made a great contribution to political philosophy. "Though they made no deliberate attempt to formulate a system of political philosophy, they yet, in the system of law and government which they developed, implicitly recognized and acted upon political principles which marked a distinct advance in theory beyond any point which the Greeks had been able to reach" (p. 215). What these implicitly recognized and applied principles were, Professor Willoughby shows by examining: the development of the idea of positive law among the Romans; the Roman theory as to the location of sovereignty in the state; the intellectual and historical forces which made for the rationalizing of Roman law. The volume closes with brief chapters on Polybius and Cicero. It is to be hoped that the volumes which are promised for the future will follow in due course of time.

ISAAC A. LOOS.

The State University of Iowa.

*The Russo-Japanese Conflict: Its Causes and Issues.* By K. Asakawa, Ph.D., with an introduction by Frederick Wells Williams. Boston and New York: Houghton, Mifflin & Co.—1904. \$2.00.

It is perhaps seldom that the good-natured book-reviewer with a natural disinclination for fault-finding has such an agreeable task thrust upon him as the one of reviewing Dr. Asakawa's interesting work on "The Russo-Japanese Conflict." On the other hand, the reviewer who desires above all things to gain or maintain a reputation for critical acumen and severity, and who delights in exposing error and heresy, must needs find the task a somewhat disappointing and uncongenial one. If the present reviewer joins in the general chorus of praise and approval which have greeted the appearance of this volume, we trust he will not be suspected of too much good

nature on the one hand, nor of wholly lacking the critical faculty on the other.

"The Russo-Japanese Conflict" is essentially a diplomatic history of the causes of, or rather the events leading up to, the Russo-Japanese war. As Professor Williams well puts it in his brief but admirable introduction to the work. "Dr. Asakawa presents them with a logical thoroughness that reminds us of the military operations of his countrymen now in evidence elsewhere. . . . It is the sort of presentation which a great subject needs. It is content with a simple statement of fact and inference. It is convincing because of its brevity and restraint."

The author is careful to state in his preface that the "work is neither a plea for the one side or the other, but a mere exposition of the subject-matter" as he comprehends it. He particularly requests the reader not to read into such exposition or explanation a moral judgment nor to ascribe to the writer "motives utterly foreign to himself," as was done by some of the critics of the introductory chapter, the substance of which was published in the *YALE REVIEW* for May, 1904.

Dr. Asakawa may, we think, be fairly acquitted of any attempt or intention to advocate the case of Japan against Russia. He even goes so far, *e. g.*, as to point out (on p. 170) "how untenable is the popular view that she (Russia) persistently falsifies"; but it would surely be expecting too much even of the scientifically trained reader to require him to refrain from passing moral judgment upon a government whose diplomacy has been of the character described in this volume.

The author's introduction, which covers sixty-four pages, may be described as an attempt to outline the deeper or fundamental causes of the war or the underlying issues at stake between Japan and Russia. For Japan these "issues appear to be only partly political, but mainly economical." They are to be found in the "enormous increase of her population"; the "immense growth of her trade and industries"; the slow progress of her agriculture, which is "no longer able either to support the increased population or to produce enough raw articles for the manufactures"; the consequent need of new sources of supply as well as an outlet for her surplus population; and the need of "an increased importation of raw material and food stuffs and an increased exportation of manufactures." The "tremendous significance for Japan of the principle of the 'open-door' as applied to East Asia," more particularly to Man-



churia and Korea, is strongly emphasized, as is also the interest of Russia in maintaining a "systematically protective and highly exclusive policy" in this part of the world. Russia's interests, even in Manchuria, are shown to be of a political rather than of an economic character, and therefore less vital than those of Japan, although the historical and geographical conditions which have governed Russia's attempt at political expansion in the Far East are not perhaps sufficiently explained in this otherwise comprehensive introduction.

The body of the work, which consists of twenty chapters and about 310 pages, is essentially a narrative of the historic events, mainly of a diplomatic nature, leading up to the war. It begins with chapters on the "Retrocession of the Liao-Tung Peninsula" and the so-called "Cassini Convention," and closes with two chapters on "Russo-Japanese Negotiations," and a chapter on "Chinese Neutrality and Korean Integrity." Particularly important and interesting are the chapters on the "Occupation" and "Evacuation of Manchuria" and the "Diplomatic Struggle in Korea."

Every important statement in the text is supported by adequate references to the authorities, which are mainly of an official character, in the ample and numerous footnotes. These serve to show how thorough, impartial, and painstaking the author has been, and they do not interfere with the smooth and steady flow of the narrative. There are also numerous citations from important documents in the text as well as in the footnotes. The work is based throughout upon the best available documentary sources and is therefore a real and permanent contribution to historical and political science, as well as an interesting and timely book which is sure to appeal to a wide circle of readers.

The material upon which this history is based is, it is true, drawn mainly from Japanese, English, and American sources; but these have been thoroughly sifted and weighed, and there has been no attempt at concealment, evasion, or misrepresentation of the facts, as, *e. g.*, in the case of the murder of the Queen of Korea in 1895, who was killed, as the author admits, by Korean and Japanese braves with the probable connivance of the Japanese minister at Seoul. Dr. Asakawa deeply regrets his inability to do justice to the Russian side of the question because of his ignorance of the Russian language; but it must be admitted that if Russia has a better case than is here presented, it has not as yet been given to the world.

The make-up of the volume is excellent. There is a good index, but the map leaves much to be desired.

AMOS S. HERSHEY.

Indiana University.

*The Early Institutional Life of Japan; a Study in the Reform of 645 A. D.* By K. Asakawa, Ph.D., Hadley Scholar of Yale University (1902-3), and Lecturer on the Far East at Dartmouth College. Shueisha, Tokyo: Scribner's, New York, 1903—pp. 355. \$1.75.

Dr. Asakawa is evidently one of the great scholars by whom the pages of Japan's history are waiting to be written in the light of modern science. In careful reliance upon documentary research, in breadth of acquaintance with the related Chinese and European institutions, and in that intuition of motives and influences which alone gives life and truth to historical work, Dr. Asakawa exhibits in this limited essay such a high quality of talent and method that his future services on a more extended scale promise to be everything that could be desired.

The broad place of this essay's scope is the beginning of the development of the feudal system in Japan. European scholars have as yet scarcely learned to realize the astonishing fact that, at the antipodes of Europe, "a feudalism grew up independently but coincidentally with that in Europe, out of a set of causes much similar in principle and in nature." That the great European processes of commendation, tax-immunity, and the like, should have equally characterized the Japanese development, in totally alien surroundings, is one of the most fascinating phenomena of comparative history. Dr. Asakawa's treatment here purports merely to lay the foundations for the introductory period 500-700 A. D. He has relied, for many data, upon the great Japanese scholar (recently deceased), Kurita Kwan, the "sage of Mito," who though totally ignorant of European history, had with remarkable insight seized the salient points of Japanese development. Nearly fifteen years ago the present reviewer, having had the privilege of visiting Professor Kurita in his library at Mito, and later of perusing parts of his works, called public attention to the significance of his great and unique labors (*Transactions of the Asiatic Society of Japan*, 1891, vol. xix, p. 165), and expressed the fear that "we shall probably never see a Japanese scholar more fitted for the task by natural capacity and by thorough acquaintance with the original sources of information." It is a particular pleasure to find that this fear was unfounded, and that the work which Professor Kurita, lacking an acquaintance with European learning, was incapable of doing in its largest scope, has been taken up by one who is even better fitted for it. We may venture the hope that the Japanese government will find a way of

ensuring the author's ability to give continued devotion to this great work.

Of the component features of the development as here outlined, there are chiefly four: the growth of the Imperial power, the relation of Church and State, the influence of Chinese institutions as consciously accepted models, and the development of land-tenure, land-taxation, and local government. It is difficult to say which of these is the most interesting for the student of comparative history. For the modern observer of East-Asiatic politics in general, the chapter on the Political Doctrine of China (ch. iii, pp. 150-251, particularly p. 221) will be enlightening, if one desires to make intelligent estimates of the future lines of development in that country.

As to the author's method, one thing is to be especially praised, and that is his complete understanding of the circumstance that an allowance or discount must always be made, in studying Japanese codes or enactments of the past, for the gap between the literal terms of the law and the extent of its actual enforcement and popular acceptance in practice. This the author emphasizes in advance (p. 18), and the ignoring of it by most foreign students of old Japanese law and institutions has deprived their conclusions of some of their apparent value. To ascertain the degree of this allowance is obviously difficult, but it is indispensable; and Dr. Asakawa's emphatic caution, together with his illustrations of the fruitfulness of the results of obedience to it, will set a desirable standard for all future investigators.

J. H. WIGMORE.

Northwestern University.

*The Theory of Business Enterprise.* By Thorstein Veblen, Assistant Professor of Political Economy, University of Chicago. Charles Scribner's Sons, New York, 1904—pp. 400.

*Modern Industrialism.* By Frank L. McVey, Professor of Political Economy, University of Minnesota. D. Appleton & Co., New York, 1904—pp. xiii, 300.

The fundamental thesis of Professor Veblen's book is the distinction between pecuniary and industrial employments, familiar to readers of the author's "Theory of the Leisure Class," and of his paper before the American Economic Association in 1900. The latest presentation of the theory is much the most intelligible of the three, for it has been divested of a goodly part of the obscure and impossible terminology in which it has heretofore been clothed. The physical basis of modern business traffic, in the author's view,

is the machine process, the influence of which is to standardize the means, the methods and the products, as well as the social conduct of the industrial world. Out of the pecuniary transactions incident to the adjustment of interdependent industries, the business man emerges, a factor in industrial society whose remuneration bears so remote a relation to his social service that he is considered virtually as an exploiter, deriving his gains from the high productive efficiency of modern industry. Out of the discipline of the machine process has developed a class spirit among workmen which has made them impatient of the conservatism of the business classes. Business enterprise cannot get along without the machine process, but, at the same time, the machine process develops a spirit which cuts away the institutional foundations of business enterprise, and is incompatible with its continued growth. Business principles are therefore doomed, whether the machine system develops or declines.

Chapters V and VI on the Use of Loan Credit and Modern Business Capital are the most valuable in the book. The former appeared earlier as a monograph and needs no comment here. The latter presents with clearness and force the essential weakness and danger of the modern corporation, a structure erected on a foundation of intangible assets, represented by common stock which controls the company, while the plant itself is represented by preferred stock, virtually a debenture, held by a minority interest; the whole capitalized liberally on the basis of prospective earning capacity. There follows naturally a distinct separation between an industry as a producer and the management of the industry for profit; the interest of the management may not, and frequently does not, coincide with the permanent interest of the corporation. It is a matter of regret that this thoughtful and penetrating discussion of modern corporation practice is not presented in a form that might cause it to displace in the reading of the general public the ravings of the ten cent magazines. But it will, it is feared, be read only by the elect.

It is a matter of considerable doubt whether the distinction between industrial and pecuniary employments,—between the producer and the exploiter,—is a distinction sufficiently fundamental to warrant the erection upon it of a structure so pretentious. Certain it is that the distinction has in this book been carried too far. In fact, the reader is sometimes in doubt whether the author is himself sincere; where the irony that occasionally reveals itself is not an evidence that the author is deriving quiet enjoyment out

of the hopeless groping of his conscientious reader. However that may be, Professor Veblen has done a real service if he has compelled us for a moment to drop our conventional way of viewing industry from the standpoint of the producer and consumer, and to look at our modern industrial life solely from the standpoint of the business man.

*Modern Industrialism* is planned along attractive lines. It treats briefly in Part I of the evolution of the three leading industrial nations, England, Germany and the United States, in Part II of the various phases of present day industrial activity,—of the extractive, manufacturing and transporting industries and the forms of industrial and commercial organization, in Part III of the relation of government to industry under the heads of interference, regulation, and ownership. The promise which this outline offers is, however, unfulfilled. In the first place, the historical portion betrays an inexcusable haste in its preparation. The percentages (p. 10) showing the growth of commerce of the three nations are in every case incorrect; the cotton-gin was not invented either in 1792 or 1794, but both dates are given; the English enactment concerning woollen manufacture in America was not passed in 1667; the cable did not make its appearance in the forties; the National Turnpike was not begun late in the first quarter of the century, nor was Gallatin's system of roadways to cost \$3,000,000; the Illinois Central did not receive a land-grant in 1836; the Rock Island Railroad did not reach the Mississippi in 1855, nor did the Hudson River Railroad consolidate with the New York Central in 1867; the English railway legislation of 1873 was not the last general act of Parliament on railway matters; the iron industry had not been recreated in America with puddling and rolling processes by 1815; the sale of land by auction and private sale on long credit were not the beginning of the American system; the tariff of 1816 did not aid in destroying our manufactures, nor was the period of the forties and fifties a time when manufacturers were bringing pressure to bear on the government for protective tariffs. This criticism does not pretend to be exhaustive, but the errors pointed out are too numerous to be explained as poor proof-reading.

Part II is the best portion of the book. The author's apparent desire to be exhaustive, however, has led him to crowd so much into small space that it is questionable whether anyone not familiar with the subjects discussed can follow his allusive treatment with any



success. A lack of systematic presentation, frequent contradiction of statement, and an unhappy use of English make Part III very hard reading. The economic student will find the general problem which is discussed in this section better handled in many of the recent treatises on descriptive economics, such, for example, as Seager. The impressions gathered by the novice will be vague and profitless.

FRANK HAIGH DIXON.

Dartmouth College.

*La Dépopulation des Campagnes et l'Accroissement de la Population des Villes.* Rapport présenté au Congrès international d'hygiène et de démographie tenu à Bruxelles en 1903. Par Edmond Nicolai. Bruxelles: P. Weissenbruch, 1903—pp. 70.

This report, which is evidently part of a larger whole, deals with the question of the changes in population in the urban and rural districts of Belgium. Under urban communes are included all places with a population greater than 20,000, and the administrative centers of the arrondissements. The rest of the communes are divided into rural and industrial; those in which agriculture employs more hands than industry being classed as rural, and the others industrial. In 1900, 38.59 per cent. of the population of Belgium was in rural, 31.81 per cent. in industrial, and 29.60 per cent. in urban communes.

In the rural and industrial communes there are more males than females, but in the urban the females form 52.8 per cent. of the total.

From 1890 to 1900 emigrations have exceeded immigrations in the rural communes, but there has been an excess of immigrations in the industrial and urban communes. Females have proved to be greater migrants than males during this period.

The natural increase of the population has been about 11 per 1,000 in the rural and industrial communes during the decade, while in the urban it was but 7.69. The rural exodus has been so great that the rural communes have had a yearly net increase of only 4.6 per 1,000, while the industrial and urban communes have increased nearly three times as rapidly.

It is therefore impossible to speak of a rural depopulation in Belgium, since there has been an increase in numbers during the past decade. But the rate of increase in the rural communes has been slower than in the other portions of the country. The reasons assigned for the rural exodus are as follows:

1. The great difference between the birth-rate and the death-rate in the rural communes;
2. The low rate of wages paid to agricultural laborers;
3. The change in the methods of cultivating the soil induced by farm machinery, and the competition of foreign countries;
4. Military service;
5. Domestic service.

Belgium is devoting less of its area to the cultivation of grain, and more to grazing. This demands less labor. The military service, with the quartering of the soldiers in garrison towns, gives the recruits a love for city life, and makes them unwilling to return to agricultural pursuits. The demand for servants is continually drawing young women from the country to the city.

In addition, there are the following motives drawing people to the cities:

1. Luxury;
2. Industrial and commercial expansion;
3. The direction given to education;
4. The social attractions of the cities.

Modern methods of production are concentrating industries in the large centers. Most of the advances in educational facilities have been along the line of technical schools in the cities.

In order to stop this exodus, the author proposes that more attention be given to education in scientific agriculture, and that the people in the country districts be warned against the dangers of city life. It seems doubtful if any such measures will avail to diminish this migration so long as the rate of wages in the cities is higher than it is in the rural communes.

WM. B. BAILEY.

*A Short History of the Westminster Assembly.* By W. Beveridge, M.A. Edinburgh: T. and T. Clark. New York: Charles Scribner's Sons,—pp. 169.

Mr. Beveridge's point of view throughout his history is unequivocally Presbyterian and Scotch, and at times his Scotch proclivities lead him to treat the English side of the Westminster Assembly, and indeed of the history of the eventful years during which the Assembly was sitting, with some lack of balance. The Assembly at first was wholly English, and the first question debated by Mr. Beveridge is its validity as a synod. To this validity two opposite objections were made—first that it had been called by the State, and second that it had not received the sanction of the King. When Parliament

summoned the Westminster Assembly into existence in June, 1643, it was already at war with Charles, and its acts were no longer receiving Royal sanction. For nine years, the Westminster Assembly existed as an English institution side by side with the Long Parliament, and much of its work received Parliamentary ratification. Mr. Beveridge makes an able defence of the membership of the Assembly, and shows that it was representative of the best and wisest in the church life of the day; while for the Scottish Commissioners, who entered the Assembly in September, 1643, after the acceptance by Parliament of the Solemn League and Covenant, he has an almost too partial admiration. The Scottish Commissioners assisted in the work of the Assembly until the close of 1647, by which time the Assembly had drawn up a directory for public worship; revised the metrical version of the Psalms; drawn up the Westminster Confession of Faith, and the Larger and Shorter Catechisms. All this was, however, only the minor work of the Assembly. The great work for which it came into existence, the hope of which formed the inducement to the Scotch to come to the aid of England, was to draw up a uniform scheme of church government on the Presbyterian model. In this the Assembly failed. It was impossible to reconcile English opinion to Scotch requirements. The Independents were growing in strength in the country and in Parliament, and though Mr. Beveridge makes out a strong case for the Presbyterians, it cannot but be felt that the failure of the Assembly to reduce church life to uniformity throughout Great Britain was a triumph for toleration and gave room for growth in both Scotch and English Churches.

Mr. Beveridge goes with some detail into the action of the Scotch Church in adopting the Westminster Confession; and again into the procedure of the Free Church at disruption in 1843. He shows that the Presbyterian Church has always regarded itself as free to make changes, and to expand in religious thought, or life; and that the conception of the House of Lords, as shown by the recent decision in favour of the "Wee Frees," that the church is a trust bound by the dead hand, is a conception wholly foreign to Scottish thought and quite unsupported by the history of the Presbyterian Church, both before and since disruption. It is difficult to clothe such a subject as the History of the Westminster Assembly with any graces of style, but when one considers the amount that Mr. Beveridge has condensed into his 165 pages, one is compelled to grant that the book is surprisingly readable and interesting. A short list of authorities is given and the book contains a good index.

A. G. PORRITT.

*Russia, Her Strength and Her Weakness, A Study of the Present Conditions of the Russian Empire, with an Analysis of its Resources and a Forecast of its Future.* By Wolf von Schierbrand, Ph.D. With maps. New York and London: G. P. Putnam's Sons, 1904—pp. xv, 304.

As correspondent of the Associated Press in Berlin, Wolf von Schierbrand showed a capacity to describe the forces making history in Europe that won the gratitude of the reading public and made his exclusion from Germany a real misfortune. To this interruption in a journalistic career, however, the public owes two capital books on modern Germany; and readers will find their debt to the author increased by this book on Russia.

Schierbrand does not bring to his task the extensive studies which have packed Leroy-Beaulieu's three volumes so full of information; or the special training which makes Schulze-Gavernitz's economic studies so suggestive; or the opportunities for personal intercourse with different classes which have made Palmer's little book so readable. He does bring, however, qualities quite as valuable for a book of this kind: the journalist's wide acquaintance with the events of the day, and his knack at putting facts together so that readers may appreciate the significance of them. He draws his material from Russian and foreign sources of information, and from personal observation.

A book of this kind, to be readable, must necessarily evade knotty questions. The important topic of land tenure, for instance, is treated in a way which will satisfy neither historian nor economist. It is fair, however, to direct attention not to faults of this kind, which are inevitable, but to the merit the author deserves for his treatment of questions which might easily be slighted in a popular book, and which yet are of the first importance. The chapter on finance gives a satisfactory survey of this important subject, and wins confidence by its disclaimer of statistical accuracy. The peculiar features of the system of manufactures are well brought out. The sub-title of the book is justified by the other subjects discussed in the economic, social, and political organization; and on the whole it is hard to see how a greater amount of information, valuable and interesting to the general reader, could be brought within the compass of the book.

The book is provided with a brief glossary of common Russian words, with an index, and with maps showing the political geography of European and Asiatic Russia. The style is so simple and natural that the use of the obsolete or obsolescent 'span' for the past of spin, on p. 171, strikes the reader as incongruous.

C. D.

*Fetichism in West Africa, Forty Years' Observation of Native Customs and Superstitions.* By Robert Hamil Nassau. New York: Charles Scribner's Sons, 1904—pp. xvii, 389.

Considerable expectation has been aroused regarding this book by the enthusiasm of Miss Mary Kingsley over the author and his wide learning and experience. From the standpoint of the social scientist, however, the volume cannot be said to have met, though the information elicited by Miss Kingsley may have justified, this expectation. The investigator who wishes to use the material presented by Mr. Nassau, and who must perforce judge of its reliability for himself, is confronted by the following considerations: first, that Mr. Nassau's mind is, naturally enough, pre-occupied with the spreading of Christianity; and, second, partially in consequence of this, partially because of an inevitable lack of training in the sciences which have to do with human institutions, he is unfitted to draw conclusions of any great weight, even from a lifetime's experiences.

As to the first of these criticisms, the author himself admits that his book is a sort of missionary plea, designed in part to inspire the reader to a desire to "give to Africa the pure truth in place of its falsity." He goes on: "But the special object of my pen, in following a certain thread of truth, is to show how degradingly false is that falsity, in its lapse from God, even though I accord it the name of religion" (p. 27). This attitude does not appeal to the scientist, and he is still less edified by the whole pages of sermonizing that follow, in the chapter on the Idea of God. A mood of suspicion of the special pleader invades the mind involuntarily. In regard to the second criticism, there do occur occasional shrewd observations and interpretations such as would be expected from one who had had such long and varied intercourse with natives. But these are sporadic; most of the comments are of the stock missionary variety, dealing with depravity of customs, falling away from God, etc. The best parts of the book are those which include little or no comment; and for these sections there is nothing but praise. It seems, however, that forty years might have yielded more than this.

For some purposes the book is a good one, but the student of human institutions has certainly a reason for feeling disappointment. The fact is, the latter must come to realize that the only person who can fully meet his needs is the professional ethnographer; he must give up hopes of getting more than scattered and second-rate material from the Du Chaillus and Nassaus and pins his faith to the Schweinfurths and the Ehrenreichs.

A. G. K.



*Guide to the Archives of the Government of the United States in Washington.* By C. H. Vantyne and W. G. Leland. Published by the Carnegie Institution of Washington, 1904. 215 pp. (xiii). 8vo.

The first plan of this work proposed to give the location and description of important historical material in the archives for the use of historical investigators. In its final form it is chiefly a guide giving accounts of the duties of the departments of the government, with their many divisions and bureaus, in an effort to show in what places material of a particular class is to be found, its availability, and how to get at it; to show in a general way the different classes of material on file, its probable value and the dates included in the records. Only material which appeared to be of special historical interest is described, the enormous mass of the documents having precluded any attempt at a complete catalogue.

The historical accounts of the several departments and their sections are accurate, and careful references to fuller descriptions are added. In most instances it would seem that greater compression would be desirable, even at the expense of literary elegance; in this manner much space might have been utilized for further description of interesting manuscripts. The same prolixity is observable in many of the special descriptions; where a calendar of a collection of manuscripts has been made and published, a reference to the calendar would be sufficient, or it should be omitted entirely. The interest of the historical student is considerably increased in reading the titles and descriptions of the manuscript material which are inserted. The diaries, letter books, and orderly books on file in the pension bureau in the Smithsonian Institution, and division of manuscripts of the Library of Congress, are of great interest. They relate to ten states during the revolutionary war, to the French and Indian war, to the Spanish in America, to colonial times, to the early days of the government, to travels in the Northwest Territory, and among the Indians. There are others kept by such men as Nathaneal Greene, Governor Tompkins, Robert Morris, and de Rochambeau. It is to be regretted that the index has not received a fuller development, for much of this material is without an adequate clue. If they had been grouped under such headings as Diaries, or Travels, an investigator of such material would be grateful for time saved from a search through the body of the book or index; the same remark applies to the entries under the various bureaus and divisions. Many manuscripts

on Spain in America are disclosed. It would seem therefore that, considered as a guide, the work is deficient in compactness and in general handiness; and that, in its quality of a calendar, it suffers through lack of a uniform system of describing the contents of the documents. The volume closes with a bibliography of sources of information concerning the archives and manuscript collections at Washington.

H. H. S. AIMES.

## RECENT LITERATURE.

With the same vigor which he displayed in "Our Benevolent Feudalism," Mr. W. J. Ghent has depicted in "Mass and Class" (N. Y., Macmillan, 1904, pp. ix + 260), the collision of social interests, chiefly in this country. His demonstration of the strength of the economic factor in the life of human societies is done with a strong hand; if, then, class-lines are, to a large degree, fixed, the varied fields of application of this economic interest will be characterized by a varied class-ethics. He distinguishes six classes in America: the proletarians, or wage-earning producers; the self-employed producers; the social servants; the traders; the idle capitalists; the retainers. Each class has its own standards of living and acting; each individual "exemplifies the impulse of the economic motive, the determining control of the prevailing mode of production, and finally the peculiar direction given to his mental and bodily activities by the special interests of his class." In treating trading-class morality an opportunity is given for two graphic chapters on "The Reign of Graft." The "failure of the trading-class" lies in an over-development of individual *versus* social obligation; it has "failed dismally in administering the world's affairs." Consequently this administration is coming gradually to be controlled by society as a whole. This will lead to the "coöperative commonwealth": "There are arguments that it cannot be and that it should not be—arguments like those heard in all times against any change in social arrangements. They are all of a kind, in whatever guise they appear; and their underlying base is now, as ever, a justification of the claims of the cunning and the strong."

The 21st and 22d Reports of the Bureau of Ethnology (for 1899-1900 and 1900-1901, the latter in two parts) are somewhat more compact than usual. The survey of the two years' work by the Director and Acting Director records a steady advance along regular lines. The accompanying papers are of solid worth. Mr. J. W. Fewkes contributes two, the one in the 1899-1900 Report dealing with Hopi Katecinas or representations of supernatural beings; and the second, in part two of the subsequent Report, covering the results of "Two Summers' Work in Pueblo Ruins." Both are profusely illustrated in color. Mr. J. N. B. Hewitt discusses Iroquois cosmology, giving the versions of the various tribes; and Cyrus Thomas continues "Mayan Calendar Systems" from the 19th Report. Miss Alice Fletcher contributes a very careful study

of "Hako—a Pawnee Ceremony." This is especially noteworthy, for it represents in part the results of the use of the graphophone in seizing upon native melodies, which have then been turned into our notation by a skilled musician.

Among the latest bibliographies issued by the Library of Congress and compiled under the supervision of Mr. A. P. C. Griffin, are a "Select List of Books relating to the Far East;" a "List of Works relating to the Germans in the United States;" and a "List of Books on Immigration." References to periodical literature are included. Librarians occasionally criticize Mr. Griffin's bibliographies from a technical standpoint, and it is undoubtedly the case that a more telling arrangement might be made of the material he commands; but the lists in their present form are of extreme value to the teacher and student of the subject, affording as they do an extraordinarily full and yet compact series.

The Correspondence regarding the Negotiations between Japan and Russia (1903-1904), presented to the Imperial Diet, March, 1904, are now issued in translation. Such collections are always of interest in retrospect; and these are the more striking in that they represent the first independent entry of an Asiatic people into a position of diplomatic prominence. The outcome thus far of the ensuing war lends to the temperate and reasonable attitude of the Japanese an added weight.

The lectures which Professor Karl Lamprecht delivered at Columbia last fall and which have been translated into English by E. A. Andrews and published under the title "What is History?" (The Macmillan Co., New York), will naturally be resorted to as the authoritative exposition of the distinguished historian's views of historical science which have been the occasion of so much discussion in recent years. These discourses in fact are an attempt to formulate a philosophy of history which is conceived of as a phase of social psychology. Their appeal is to the student of the science of society rather than to the historian proper.

The main characteristics of the modern German University system are lucidly set forth by Dr. Mabel Bode in the form of a review and summary of Paulsen's *Die Deutschen Universitäten*, Berlin, 1902. The pamphlet is published by P. S. King & Son, London.

Dr. Alfred Plummer of University College, Durham, has reviewed English Church History from the Death of Archbishop Parker to the Death of Charles I. in four lectures which are remarkable specimens of condensation. (Imported by Charles Scribner's Sons,

New York.) They bear the stamp of the classroom a little too much for easy reading, but their lucidity and compactness make them particularly serviceable to the teacher.

Teachers and students of general European History will find in the "Syllabus of Continental European History" prepared for their Yale classes by Messrs. Richardson, Ford and Durfee (Ginn & Co., Boston), a most carefully prepared topical analysis of the subject matter of that field with ample lists of assigned readings and an alphabetical list of books. It is one of the most complete guides of this class that we have seen.

In "*le Roman Social en Angleterre*" (Paris, 1904), M. Louis Cazamian takes as his theme the relation of the English novel between 1830 and 1850 to the idealistic and interventionist reaction against the rationalism and utilitarianism of Bentham, Malthus, Ricardo, and James Mill. Quite naturally Dickens comes in for the largest treatment with his long series of sentimental novels, but then certain phases of the reaction were represented by other novelists. Chapters are given to "Disraeli: *le Toryisme social*," to "Mrs. Gaskell: *L'Interventionnisme Chrétien*," and to "Kingsley: *Le socialisme Chrétien*." Though the book belongs rather to the department of belles lettres, yet parts of it—especially the earlier chapters—will prove of interest to students of social history. The book is the third "fascicule" in the *Bibliothèque de la Fondation Thiers*.

One of the most painstaking studies of the actual administration of an English Colony in the seventeenth and eighteenth centuries that has been made is Professor C. L. Raper's "North Carolina, A Study in English Colonial Government" (New York, The Macmillan Co.). On the basis principally of the extensive series of North Carolina records, Dr. Raper has described the working of each department of the government down to the beginning of the Revolution. His work is a valuable addition to the remarkable series of studies in Colonial history which have been carried out under the direction of Professor H. L. Osgood of Columbia University.



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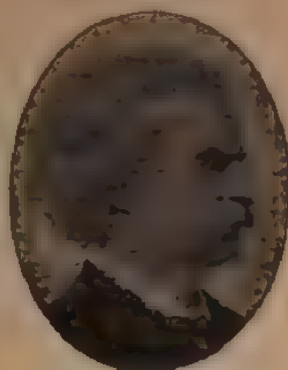
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COMMENT.

*Business Ethics and the Universities; Uniformity in Labor Legislation.*

THE recent washing in public of the soiled linen of the Equitable Company has attracted unusual attention on account of the respectability of the directors and the fiduciary nature of the life insurance business. But it is simply the exposure of a spirit which is seen in many other officers of corporations, whether engaged in transportation or in production, and has already supplied the material for a good deal of magazine literature. To infer, as some do, that all business is tainted with graft, and that all large fortunes are gained through iniquity, is, to put it mildly, an exaggeration. The mere fact that in the case of the Equitable Company prompt restitution was made of certain commissions alleged to have been improperly collected shows that a substratum of conscience exists in the minds even of those whose acts are open to criticism, and as compared with the large number of transactions which are daily conducted on terms of well-deserved confidence, the cases of malfeasance which have become known are certainly not very numerous.

As an offset to the unscrupulousness which seems to characterize some of the greater financial operations, it is pleasant to note that such an organization of business men as the Society of the Typothetae has deliberately adopted a "code of ethics," in which the duties of printers to each other and to their employees are clearly and positively set forth. The fact seems to be that our corporations and the opportunities to make great

fortunes by means of them have grown more rapidly than the supply of men equipped with the moral responsibility demanded in their managers. We need the application of Sir Francis Galton's science of eugenics. Our civilization has neutralized the dangers due to the forces of nature, heat and cold, drought and flood, but has created in the machinery of our elaborate business organization new dangers arising from the opportunities which they offer for betrayals of trust, and predatory fortune hunting.

A curious by-product of these exposures has been the effort of certain persons and newspapers to induce religious and educational institutions to refuse to accept money described as "tainted." This movement must be regarded as a protest against the evils complained of rather than as a serious effort to correct them. It is hardly to be supposed that its supporters really believe that anything like a taint can attach to such a representative of general value as a check. If, for instance, money were given anonymously, it can hardly be thought that any moral shortcomings in the donor could possibly be so inherent in the money as to vitiate its use. If we look at the practical side of the question it is quite clear, as has often been pointed out, that it would be impossible for any body of men to know where to draw the line in refusing gifts, while, if they did draw the line, they would be preventing the rich man who has gained his wealth unjustly, but who has a perfect legal right to it, from making the only kind of restitution which he can make to the general public.

Yet the subject cannot be settled by proving that the self-denying policy which is advocated with regard to "unclean money" rests on a logical fallacy and is self-destructive in practice. The fact still remains that abuse of power, disregard of the rights of others, betrayals of trust, are a great evil, and that our universities, as teachers not only of ethics, but also of civics and of economics, have a responsibility with regard to these questions to which they cannot close their eyes. The acceptance of every gift adds to their responsibility not only to use the money with ordinary business economy and for the promotion of learning, but more specifically to use it in such a way that their attitude on these questions of business ethics cannot be misunderstood.

There are two quite distinct methods of influence open to a university. The first lies in the public utterances and classroom work of their faculties. Universities owe it to the country first of all to study the facts, which are certainly complex, with regard to corporate business, and, having studied them, to pronounce upon them with courage and vigor, whatever may be the conclusion. But there is another instrument of power in the hands of our institutions of learning. The gifts which are coming to them have made them great investors of capital. A comparatively small amount of their income-yielding funds is probably placed in real estate. A very large part is put into the bonds and stocks of corporations. By concerted investigation and concerted action the investment committees and treasurers of our universities, libraries, and other public institutions have it in their power to exercise a powerful influence.

An indirect cause of the evils which are complained of lies in the fact that our prosperity has created an enormous mass of annual savings, which the individual capitalist cannot advantageously use, and which he is, therefore, obliged to put into such securities as the market offers. This naturally creates a demand for the promotor and tempts the unscrupulous to make use of the vast capital so easily secured in a manner quite at variance with the business ethics of the mass of the investors. As individuals they are helpless. The desire to draw an income from their savings betrays them into a partnership in practices which they cannot approve of. Our universities, public libraries, and endowed charities are in a position to act as leaders of the passive investor. If it were known that the endowed institutions were really examining carefully and impartially into the business ethics of the various corporations in which they invest, whether as stockholders or bondholders, that mere fact would serve as a powerful deterrent. To have it generally known that these institutions had examined and approved of the methods of a corporation would have a direct pecuniary value to them like that which many of them secure by inducing the legislatures to make their securities legal investments for savings banks and trustees. Where an evil is so deep-seated, it cannot be cured at once, but quiet and persistent effort in the direction indicated would surely produce valuable results.

At the International Conference on Labor Protection, an account of which is given in another part of this issue, the United States was conspicuous by its absence. There was doubtless a good reason for this in the fact that, under our constitution, the regulation of factories and of the conditions of labor in general does not belong to the federal government, but to the States, and that the States have no treaty-making power. But the meeting of the conference calls emphatic attention to a weak feature in our polity. Any effective laws to protect the health and safety of workers must apply with at least some uniformity to states whose industries compete with each other. Otherwise the very benefit which the law is intended to confer may be turned into its opposite by the crippling of industries.

It is this feeling which has led states in such different stages of industrial development as Great Britain and Germany on the one hand and Greece and Servia on the other to participate in a conference intended to secure uniform action on certain simple hygienic measures. Our government has, within the sphere of its powers, legislated quite actively on the subject of sanitation, as is shown by Professor Garner's article in this number, but on the general subject of factory legislation each State goes its own way, and the nearest approach to harmonious action is found in a purely voluntary committee on child labor constituted by a small group of public-spirited citizens. If the division of powers provided for in our constitution renders uniform legislation impossible, the States ought at least to go as far as the constitution will permit in reaching a common understanding. It would seem strange indeed if what is possible for sovereign European states, differing in their language, constitution, and economic condition, should be impossible to the several States of our republic. Agreements between the States are not illegal, if sanctioned by Congress. The simplest expedient, therefore, to secure uniformity would be to petition Congress to consent to such an agreement, and then to call a conference made up of experts from the several States, to meet and ascertain how far the laws of those commonwealths which are most advanced industrially can be harmonized.



## THE SECRET OF AUTOCRACY.

### THE FORCES THAT SUSTAIN THE ABSOLUTISM OF THE CZAR.

“**H**ERE,” explained a French guide in showing Casaubon through the great hall of the Sorbonne, “Here is where the theologians have disputed for five hundred years.” “Indeed!” was the reply: “and pray what have they settled?”

Mark Pattison's remark about a famous English scholar might well represent the conclusion of the plain man seeking a dogmatic explanation of the origin and theory of political obedience. Men have disputed as to the origin and sanction of political authority for three thousand years, and what have they settled? One intelligent man will tell you that government rests upon force; another that it rests upon opinion. The ignorant man has no clear explanation to give further than this—government seems to be a necessary part of the nature of things. This naive and unstudied account really lies closer to the facts than the sophisticated view that government rests upon pure force or pure reason. Kinship, religion, love of comrades, military necessity, physical force, conscious agreement—these are all factors to be considered in any genetic explanation of political authority. But physical force and conscious agreement play a far less important part than is commonly supposed. Command and obedience are correlative terms, no rule of human action is properly a law unless obeyed by the bulk of a given society. While in common thought obedience is the result of law, it is more exact to say that law is the result of obedience. It is not the autocrat who creates political obedience, it is rather the obedience of a people that creates the autocrat. In support of this view we may first consider the natural history of the autocrat; second, the limitations inherent in the very nature of absolutism; third, the character of the obedience which the autocrat seemingly enforces; and finally, we may apply these conclusions to Russia, the most significant of modern autocracies.

In the rude and militant stages of early societies the pressure of brute military force from without tends to enthrone despotic

authority. The self-preservative instincts of a society counsel submission to a war-lord as the alternative to tribal extinction. The exigencies of military campaigning demand concentration of authority. Early societies clearly show inability to work a government based upon the principle of extension or diffused authority. "Armies have triumphed," comments Macaulay, in explaining the fatal weakness of Argyle's expedition, "under leaders who possessed no very eminent qualifications; but what army commanded by a debating club ever escaped discomfiture and defeat?" Societies have always existed in which the chief business is the business of war. The annual campaign of the war-lord and his mighty men of valor is as much a part of the rude economy of early militant peoples, as the annual harvesting of grain is a part of the business of an agricultural people. The external agency of war pressure cements ill-compacted social groups, evokes defensive internal discipline, and enthrones the masterful man. The multitude consents to the strong man, coming as he does in the guise of a deliverer from the odious foreign foe. History also affords striking illustrations of force brutally executed from above upon the mass under no guise of tribal preservation. The Spartan state originated in the forcible conquest of the natives of Laconia by a band of Dorian warriors. These warriors held the numerous native population as a garrison would hold a citadel. This seems to be a pure case of government founded and maintained by brute force. It is to be noted, however, that the Spartan state included in no real sense its vassal subjects. Socially and politically the natives were undigested atoms. They were neither citizens nor subjects. They were captives. They were the human chattels of the state.

The Italian despotisms of the fourteenth and fifteenth centuries present the spectacle of states founded and maintained by force. Yet in every case force represented by such despots as the Baglioni and the Medici was really another aspect of the consent of subjects who welcomed despotism as a positive relief from the intolerable confusion and disorder of party dissension. Torn and distracted by the clash of irreconcilable factions, the Italian states consciously or unconsciously created the despotisms of the early modern period. Despotism was democratic in Italy. It

rested upon the acquiescence of the Italians and simply represented the translation of private vices into public corruption. The Florentines, for example, submitted to the veiled despotism of the Medici, because a corrupt, beauty-worshipping, pleasure-loving, unwarlike people consented to be governed after the "Il Magnifico" fashion. It is vain to ask why they consented. As well ask why Esau preferred the mess of pottage to his birth-right, or why the people of a great American city tolerate the arrogant control of a party boss. In theory political authority is widely diffused in our democratic scheme of government, but to find anything corresponding in despotic quality to the authority exercised by such a boss as Mr. Cox of Cincinnati, one must go to the Orient for analogies and analyze the edicts of the Ameer of Afghanistan, the Negus of Abyssinia, or the Sultan of Zanzibar. The American city boss survives, because a majority of the city's population consciously or unconsciously consents to the régime which the boss personifies. Where one enlightened citizen castigates the political idol, a dozen meekly bow in submission before it. Among savages respect for idols inures to the benefit of the priestly class and gives no offence to the mass of the population which supports the cult. The progressive Afghan greatly desires to see his capital connected by railway with the outer world, but his government opposes the innovation, and this opposition finds passive support in the bigoted conservatism of the multitude which considers the transportation facilities afforded by ox-carts and pack mules entirely adequate to the needs of the country. "Force," remarks Hume, "is always on the side of the governed. The governors have nothing to support them but opinion."

A more extreme illustration of irresponsible tyranny could hardly be found than is afforded by the career of Czar Peter III of Russia. In the Seven Years War this martial despot reversed in a day the foreign policy of a great empire solely because of his whimsical admiration for Frederick the Great. In January, 1762, the Russians were fighting with Maria Theresa's Austrians against Frederick. In June, 1762, the same Russian troops were fighting with Frederick against Maria Theresa. But the soldier in the ranks and the Russian peasant in the field were alike indif-

ferent to the fortunes of either the Austrian queen or the Prussian king. When at a later time the half-crazed Peter began to interfere arbitrarily with domestic institutions for which his subjects cherished traditional and positive attachments, soldiers, priests, and peasants rose against him and accomplished his overthrow. Force is a necessary element in the formation and perpetuation of the state. But brute force unsupported by notions of right, as expressed in the popular consciousness, is not an agent of preservation, but an agent of destruction.

## II.

Absolutism is never absolute. Although no legal limitations may rest upon the absolute monarch, he is in fact doubly limited, first, by the internal restraints inherent in his own character. The Sultan will act as a Turk and a Mahommedan. In the second place, the despot is limited by external restraints—the fear of assassination or revolution, the power of epigram, the customs of the realm. Louis XIV, the most absolute of French monarchs, never dispatched without some form of judicial process any one of his subjects to the Place de la Grève for execution, though legally his power to do so was unquestioned. The theory has always been popular that great states are formed and administered by a few strong men for their own selfish interests. We have a picture of crowned and mitred tyrants trampling under their feet the rights of the defenceless multitude. "The few," cries Mr. Debs, the socialist orator, "have ruled, the many have served; the few have worn the purple of power, wielded the scepter of authority, rioted in luxury, while the great mass have borne the burdens, lived in poverty and died in despair." Rulers, Machiavelli observes, as a fundamental principle of statecraft, should not be deflected from the pathway of autocracy by any sentimental consideration for the common good. Guicciardini in his *Reggimento de Firenze* lays bare the weakness of democracy. "Men," he observes, "really desire their own power more than the freedom of the state and the motives even of tyrannicides are very rarely pure." Admitting for a moment that love of country is only a fine name for love of self, that disinterested motives in public action are quite extinct in the world and that

patriotism, as in Dr. Johnson's phrase, is the last refuge of a scoundrel—one is still free to maintain that even in an autocracy the balance of good is not altogether on the side of the few. The real essence of the state is found in will, not in force. Passively if not actively the mass of subjects will the character of the government which controls them. States administered by selfish and autocratic rulers are, as a rule, administered in accordance with the general will of the society. There are two reasons for this: first, the ruler consciously or unconsciously tends to fulfil the will of the society of which he is the product and expression. Second, the ruler tends to obey the law of leadership—survival, by combining the current of self-seeking with the current of social desire. Successful leadership depends not so much upon invention as upon wise imitation and adaptation. Prestigious leadership sums up and expresses the social consciousness of a given society at a given time. When a belief becomes epidemic, as in the case of the free silver craze of the last decade, a man is hailed as a "peerless leader" who, uniting a magnetic personality with a persuasive eloquence, sums up the vague and ill-grounded beliefs of the multitude and gives these beliefs a firmer anchorage in hospitable minds. As was said of Gladstone, what he received in the form of mists he was able to give back in the form of showers. The prestige of a powerful individual may seem to create a group spirit. It does not create, it combines. Savonarola and Rienzi are types of great prestigious personalities whose leadership resulted in failure, because they sought to create where they should have sought to combine. Rienzi, mistaking the conceits of his own vain-glorious imagination for emotions of patriotic zeal, thought to transform in a day the slothful, corrupt, and undisciplined horde into the self-possessed, martial *populus Romanus* of a by-gone thousand years. In like manner there could be no permanent response in the breasts of the gay, indolent, pleasure-loving Florentines, who had enthroned culture as their religion, to the stern and rigid Puritanism of Savonarola's message. One enraptured zealot apparently initiated the First Crusade, but Peter the Hermit did not create the crusading spirit. That spirit created him. The crusading enterprise revealed the spirit of an age distinguished



for knight-errantry and pilgrimages to shrines. It represented the fusion of military passion and religious aspiration. The enterprise which nerved feudal Europe to the most gigantic effort recorded in the history of enthusiasms would be meaningless to-day. Peter the Hermit was of such stuff as martyrs are made of. He was also of such stuff as dreams are made of. He was the product of the passion-fed illusion and the illusion-fed passions of the multitude.

Again, pure egoism must surrender immediate self-interest to the demands of the common welfare. Let benevolence be defined as egoism armed with a spy glass—the beneficiary is no less a beneficiary. The hope of immense pecuniary rewards no doubt fed the resolution of the man who first dreamed of applying brake pressure to wheels by the use of compressed air. But this does not detract from the splendid results of the invention of the air brake. The product of the egoistic scientific curiosity of to-day becomes the trade necessary of to-morrow. It is impossible to set up a demarcation between the welfare of the prestigious man and the welfare of the multitude. Much of the thoughtless denunciation of the "plutocrat" is based upon an absolute distinction between "self" and "others" in the sphere of social relationships. It is precisely through enormous accumulations of wealth by individuals that great enterprises are launched, idle hands employed, hungry mouths fed, forests subdued, and deserts reclaimed.

Lord Baltimore has been lauded as the founder of the first political society in which religious toleration was not only the recognized habit of the community, but also the fundamental law of the land. But profit and not piety animated the lord Proprietor in the enterprise of founding the Maryland colony. Himself a Catholic, but holding a charter of a Protestant Prince, he was wise enough to foresee that a colony distracted by religious differences would naturally prove a poor revenue producer. The first Lord Baltimore followed the ordinary course of self-interest, but this detracts nothing from the happy scheme of religious toleration provided for the early colonists.

Under Henry VIII, the most despotic of English kings, Catholics and Protestants were drawn in the same death cart to

the place of execution to suffer the penalty for religious offenses—the former for denying the Crown's spiritual supremacy, the latter for denying Roman Catholic doctrines. In what seems to be a policy of pure contradiction and caprice, the despotic Tudor king roughly mirrored the opinion of the average Englishman of his day who could see no contradiction in the abolishment of Romanist authority and the retention of Romanist doctrines. By a whimsical and illogical policy, the King brought England through one of the greatest crises in her history and saved his people from the horrible religious wars which convulsed other Teutonic peoples.

Again, in the case of Frederick the Great, a consuming ambition dictated a policy which was perfectly unscrupulous and perfectly successful. Such acts as the seizure of Silesia, the sequestration of the revenues of Saxony, or the partition of Poland were indefensible in the point of law or morals, but upon these acts hinged the power of the Prussian king, and linked with the power of the King lay the future greatness and boundless influence of the Prussian state. His was no nice hand in balancing equities or weighing rights. For the sensibilities of friend or foe he showed no mark of tenderness. He was the expression of an age that held treaty obligations in low esteem, that undertook war lightly, that recognized no ultimate title deeds but the title deeds of the sword. In Frederick was focussed to the burning point the spirit of a land-hungry, militant people. Modern Prussia is the product of a farsighted, selfish ambition. Frederick raised his petty kingdom from the position of an unrespected, third-rate power to the undisputed primacy of Northern Europe, and with him began the long process of the recreation of Germany under Prussian leadership.

Again, in Louis XIV is illustrated the triumph of a supreme egoism. Yet the vanity and ambition of the French king fairly reflect the spirit of the *ancien régime*. The average Frenchman of the time identified the glory of the French court with the glory of the French people, just as at a later time he identified the glory of Napoleon with the political predominance of the nation. Louis was a product of his age, but Louis, no less than

his meanest subject, was restrained by the benumbing etiquette and ceremonial over which the King presided.

Sir Henry Maine's classic instance of Runjeet Singh is a case in point. This Oriental despot was absolute master within his realm. He harried recalcitrant villages and executed subjects who disobeyed the smallest of his commands. He levied armies and collected taxes; but, observes Maine, "he never made a law." The rules which regulated his subjects were derived from immemorial usages and these rules were administered by domestic tribunals in families or village communities. Runjeet Singh was a product of the jural ideas of his society and he never dreamed of changing the civil rules under which his subjects lived. The entire mass of opinions, superstitions, and prejudices determine who the sovereign shall be and the conditions under which his power shall be exercised. Strictly speaking, custom does not make law, but custom does determine the law-maker. Abdul Hamid's will is law in Turkey, but he neither would nor could decree the abolishment of polygamy or the establishment of the Christian religion. Government reflects the group mind. The type of government answers to the dominant aims and convictions of a society. The passion may be for glory, for territory or for money. A people bred to arms demands a war lord. A people of the plow and factory demands a government that can acquire territory and open new markets. A society in the hunting stage of culture demands a chief who can pursue the chase or chastise hostile tribesmen. A nest of mountain robbers demands a bandit chief. It is a vain thing to talk to an Australian Bushman of jury trial and of habeas corpus. You may as well talk to an infant about the integral calculus or the writ of certiorari. The so-called written guarantees of freedom are not so much the cause as the result of freedom. Sonorous phrases have never protected a people from oppression. The glittering phrases of French constitutionalism proved no security against a Reign of Terror. A constitution does not create political intelligence. A constitutional government is the result of the legal character and political intelligence of a people.

## III.

It is interesting in the third place to analyze the quality of obedience that supports a so-called government of force. Milton, writing his great epic from the standpoint of a Calvinistic theologian, sings of "man's first disobedience." Had he been writing from the standpoint of the political philosopher, he might with more propriety have concerned himself with man's first obedience. A study of the old world's despotisms or the Asiatic theocracies of to-day confirms the view that man is by nature an obeying animal. Under the hard, sacerdotal despotisms of the East, status defines the chief relationships of life. About the first and only political consciousness a man possesses is summed up in the thought that he is born under the hand of a master. The psychology of such a state of mind is worth scrutinizing. Submission is not so much the product of fear or reason as of mental indolence and inertia. Even among progressive societies the vast mass of mankind slumbers on in decent, self-complacent mediocrity. A man is content to be a Presbyterian because he was "brought up" in this faith, while at the same time he concerns himself no more about the Westminster Confession than about the binomial theorem or the habits of Mesozoic lizards. In much the same way a man is a Democrat because his father was a Democrat before him. But when asked for a philosophic reason for his party allegiance he will lightly shift the source of inspiration and authority from his father to the "fathers" and observe that Thomas Jefferson was a Democrat. One of the greatest pains to human nature, observes Walter Bagehot, is the pain of a new idea. It is, as plain people say, so "upsetting." It disturbs complacent minds, troubles cherished superstitions, and imposes the fatigue of mental exertion. As a modern essayist remarks, most people prefer to have their thinking, like their washing, "done out." The universal love of gossip is to be partially explained in the happy refuge which gossip affords from the fatigue of mental exertion. That which is near, personal, and obvious rather than that which is remote, abstract, unlocalized, engages the attention without rousing sluggish understandings. It has been well remarked that the mental caliber of a person can be pretty accurately

gauged by observing the ratio which personality bears to abstraction in one's conversation. Persons who have had much to do with the negro are impressed with his repugnance to mental exertion. When questioned closely upon a subject about which he ought to be familiar, a negro will often give random answers and tell lies simply to escape the mental pain of thinking out a right relation between question and answer. Again, a cornfield negro singing as he ploughs will break out into a profuse perspiration and droop with dejection and fatigue upon grasping a pen for the purpose of inscribing his name upon a bit of paper. The pain of a new idea, the horror of mental exertion, are mighty factors in the lives of the multitude, even among the eager, restless, aspiring societies of the Western world. But if the complacency born of indolent conservatism is marked in the so-called progressive societies, it is a ruling principle of life among the customary societies of the East. There custom is king, inertia a virtue, innovation a crime, and fatalistic resignation a principle of religion.

Furthermore, religion itself plays a most important rôle in the psychology of political obedience. Theocracy appears to represent a distinct phase in the natural history of both Asiatic and European states. The principle of Asiatic despotism is expressed in a union of throne and altar. Religion is patriotism and patriotism is religion. The essence of both is found in a fatalistic submission to authority. Small distinction is made between civil and spiritual penalties—the laws of the state being clothed with all the sacred sanction of religion. Islam bulwarks the absolutism of the Grand Turk. Lamaism, a grotesque and degraded form of Buddhism, enthrones the Grand Lama of Thibet. His capricious and malignant sovereignty answers to the religious consciousness of his people. These unlettered hinds are devil-worshippers. In the belief of the people every place teems with evil spirits which must be propitiated by prayer and sacrifice. Abject submission to a governing priestly caste is the first article of political as well as of religious faith. The Western European nations, painfully hammering out their destiny, have emerged from the theocratic stage of culture. But even the Christian religion has been a powerful agent in the creation



and preservation of great states. The Christian religion enabled Charlemagne and the Ottos to organize the mediaeval empire and stood behind the Cerdics in the making of England. The Spanish temper was trained by centuries of warfare with the infidel to regard purity of doctrine as a patriotic virtue. Religion which was three centuries creating the Spanish empire has for three centuries been destroying it. The Spanish monarchy "consumed by that which it was nourished by" has ever been ready to acknowledge and repay its early debt to religion.

Systems of government and religion faithfully reflect the cultural stage attained by a given society. In the early stages of society visible images formed the channels of religious devotion. Theology is found objectified in the history of art. Idolatry, the worship of matter endowed with form or animistic qualities, is the common religion of the savage. Respect for strength is instinctive. The lowest savage invests some rag or stick with animistic qualities, his fetishism proceeding from a natural impulse to enthrone a power which transcends his own feeble powers. Traces of fetishism survive among the most highly civilized peoples. Analyze the emotions of a cultured person who bruises a thumb while hammering a nail. With the emotion of pain is sometimes intermingled a feeling of anger directed not against self, because of one's awkwardness, but against inert matter. Civilized man sometimes seeks to punish things when according to all the canons of retributive justice he ought to punish himself. The chief object of the worship of the savage is the propitiation of malevolent deities. Political power may be viewed in its early crude manifestations in much the same aspect. Sovereignty is objectified in a personality. Whether this personality is inherently worthy of admiration and homage is not a question to be considered. All heathen idols are hideous. That the ruler who objectifies the sovereignty of the state is personally weak, commonplace and contemptible, has nothing to do with the quality of the worshipper's allegiance. Both in religion and early polity, crude societies are grossly anthropomorphic. Intelligence is too feeble to grasp an abstraction. Thought exchange is scarcely able to rise above the low plane of gossip. Men live in the "this," "that" and "now." The savage has no concep-

tion of the reign of law. The whole world is governed by isolated acts of superhuman intervention. He can no more construct a theory of religion or a theory of government that does not depend upon the caprice of a personality than he can build sewing machines or operate a typewriter. Even the relatively pure monotheism of the ancient Hebrews was grossly anthropomorphic. Nothing else could have been expected of a people in a crude, tribal stage of social evolution. At the supposed call of Jehovah, Abraham calmly prepares to plunge the sacrificial knife into the body of his son Isaac. To Jehovah are attributed the qualities of an immensely powerful, revengeful, implacable man. The Greek deities were regarded as endowed with the characteristic virtues, passions, and prejudices of human beings. The Roman divinities were represented in the form of superhumanly powerful men and women. The Christian religion of the middle ages, in order to retain its hold upon the ignorant masses, too feeble of imagination to grasp an abstraction, compromised with downright fetishism and anthropomorphism by the substitution of visible images as assistants in worship. The cross, the crucifix, images of the Virgin and of the saints take the place of the amulets, charms, sacred talismans, and fetishes of the savage.

On the political side, in turn, the imagination of unenlightened men has always been too feeble to grasp the abstraction of the state. Territorially the Holy Roman Empire was never, except for a few brief intervals, anything more than a splendid dream, yet for eight centuries it existed tangibly objectified in the personality of the Emperor. Even in the modern democracy, men of necessity must lay hold upon a visible image as an object of allegiance. It is the unconscious realism of thought that invests life with its glory and its heroism. Men fight, not to sustain literal statements of fact, but for the Truth. Even in the humdrum existence of commonplace lives men constantly surrender material self-interest for the sake of Honor or Virtue. There is pathos in the cry of the Stoic Brutus, "Alas, I have found thee, Virtue, but an empty name." The volunteer soldier is ready to give his life, not for a collection of houses and a multitude of strange people, but for the flag. The flag, a bit of rag, is the

type and emblem of all the collective associations which a man calls his country. Substitute for the rag a personality, invested with all the glamor of ancestral glory, and throne-worship becomes intelligible, if not admirable, to the democratic citizen. The English crown, for example, while no longer an efficient part of the British governmental system, plays a valuable rôle as an object for popular veneration and affection. The unreflecting mind clings to personality. The average Englishman is more acutely interested in the christening of the Duchess of Fife's small infant than in parliamentary measures for the reform of the criminal law.

#### IV.

We may now consider the forces which lie behind the absolutism of the Czar. When Solon was asked why he did not give the Athenians better laws, that wisest of men replied, "I gave them the only laws they were fitted to receive." Government is the product of the group mind. The group mind is preservative, the individual mind creative. From the standpoint of the inventive individual mind, law often seems the utterance of brute force. But law is really the utterance of the ethnic will. In all governments the ethnic will lags far behind the demands of the progressive individual will. A system of government becomes relatively outworn when it forfeits the support of progressive classes. It becomes absolutely outworn when it forfeits the support of the inert masses. Permanent revolutions must emanate from a nation's brain. They must be led by progressive, enlightened individuals, but such leadership to be successful demands the support of the ethnic will. The active and articulate brain of Russia as represented in the universities, the law associations, the men of letters, and the provincial nobles in their zemstvos, condemns the autocracy as an outworn system and proclaims its downfall. These are but the stormy petrels of revolution. They do not constitute the tempest itself. The autocracy still lives, because it receives the support of the preservative ethnic will.

There is first of all a racial temperament which serves to explain this ethnic will. In temperament the Slav is inert. The

most oriental of Europeans, the fatalistic resignation of the Russian is only exceeded by that of the Hindu. "It is God's will!" or "It is the Czar's will!" represents the ultimate response which the rack of a tough political and industrial world extorts from the outstretched Slav. The spiritual dogma of Buddhistic self-annihilation has been metamorphosed by the Russian into a political dogma of fatalistic surrender. The psychology of the race reveals a docile people in a state of tutelage. To the uninstructed Slav, notions of self-assertion and individual independence are incomprehensible. The spirit of paternalism pervades the entire governmental system and is deeply inwrought in the political consciousness of the nation. One of the most significant of Russian institutions is the *mir* or village community. The *mir* of Southern Russia corresponds almost exactly to the village communities found among the belated and stationary societies of India. The two elements, co-ownership of land and assumed agnatic relationship, are always present. The *mir* represents a society organized upon the patriarchal model. The Scriptural narrative presents the lineaments of such a régime in the condition of the "Seed of Abraham" before the development of kingship. Members of the *mir* consider themselves blood relations, hold their land in common, and render common obedience to *starosti* or elders. The ruling elder is an embryo Czar. His patriarchal despotism represents in miniature the absolutism of the "Little Father." Industrial submission finds its correlative on the social side in filial submissiveness to patriarchal authority.

Another factor to be considered in appraising the political submissiveness of the Slav is the ignorance of the rural classes. It is estimated that eighty-nine per cent. of the peasant class are illiterate. Now the lot of the peasant is the lot of the vast majority of the population. Russia, vast and protoplasmic, is painfully extracting her industrial subsistence directly from the soil. The bourgeoisie of Russia is as yet a relatively small class. Like many of the New England towns of to-day, the Russian villages are rural communities; it may be added that they possess none of the guaranteed rights possessed by the chartered French, Italian, and English towns in the old days of feudal privilege. Russian villages are constructed with the monotonous regularity

employed by distinct species of birds or insects. See one red ant hill, you see them all. Russian villages are all alike. The fidelity to type attests a peasant character that is imitative, uninventive and intolerant of innovation. The "blood-bought" civil liberties of Englishmen were not won by villeins or rustics. The civil liberties of which the English commoner boasts were in reality "money-bought" by English townsmen. The towns in Italy, France, and England were luminous points in the dense darkness of a feudal aristocracy. The impoverished feudal nobility sold to the townsmen certain privileges and immunities, and these rights were formally set forth in charters. In laggard fashion popular liberties in Russia await the development of a great bourgeois class with means to purchase education and political influence. The peasant in Russia dwells apart, untouched by the restless, inventive, aspiring world which lies so far beyond the narrow bourne of his little field and forest. The pitiful isolation of the country estates breeds a conservatism that is the deadly foe of every new idea in religion and politics. The peasant mind incased, as it were, in the hardened shell of custom is proof against innovation. The very term pagan originally meant a countryman, a man who was too backward to accept Christianity, just as the term heathen signified a man of the heath. The heather men the world over have been the last to yield to liberal ideas in either religion or politics. Ask the Russian peasant to support the establishment of a constitutional government and his attitude would be one of bewilderment. He would be opinionless and voiceless. Constitutional government would embody no idea that was familiar. He would be utterly unable to grasp the abstract notion of a power outside of government superior to the power of the government. The government of Nicholas II is a bad form of government, but to his subjects it is at least an intelligible government. To name a chief magistrate through delegates appointed in motley caucus assemblages, to straitly circumscribe his power through the limitations of organic law and to remit him again to private life after a brief tenure of office—these are unintelligible notions to the oriental mind. To such a mind the ruler is the all-potent fountain of authority, heaven's anointed, the incarnation of the glory,



majesty, and might of the nation. To create a ruler by the voice of the multitude, to limit his powers and after a brief period to displace him is, in oriental thought, to rob authority of the only attributes that win respect. As Rappoport has remarked, the Russian, like the Southern negro, never really respects a man who treats him as an equal.

Finally, let it be noted that the Slav is deeply religious. The altar has done even more than the patriarchal hearth to develop a submissiveness of character. "Man," says Sabatier, "is incurably religious." Man is incurably religious, chiefly because he is incurably conscious of his own weakness. It is an instinct with man to look to some power that transcends his own feeble power, to some strength that is beyond his own strength. The religious systems which require unquestioning submission to church dogma and ritual as declared by a priestly class are precisely the systems which have laid the firmest hold upon the reverence and loyalty of the multitude. Men have vainly tried to get away from the principle of authority in religious organizations. Historically Protestantism rests upon the assertion of the right of individual opinion in spiritual matters. Logically Protestantism recognized no authority above that of the Scriptures as these sacred writings may be individually interpreted, and yet Protestants have never fully extricated themselves from the meshes of ecclesiastical authority. The Anglican harries the Puritan out of the land because the latter cannot accept the ritual and ceremonial of the established church. The Puritan sailed the seas and subdued the wilderness as the victim of religious persecution, but when he encountered a Quaker with wrong views, he did not scruple to become a persecutor. In Russia the orthodox church with its petrified ritual is at once a cause and a result of the submissiveness of the Slav. The Greek church enables the House of Ruric to organize Russia. The same church stands behind the House of Romanoff to-day. The Russian peasant feels profoundly his dependence upon the throne—that is the essence of his patriotism. Religion is defined by Schleiermacher as a "feeling of absolute dependence." In Russia civil and religious submission are but different aspects of an instinctive feeling of dependence upon supreme authority. The two senti-

ments commingle with one another. Czardom is identical with Holy Russia. Religion is built into the state. The brutal sway of the bureaucracy finds its authentication in the figure of a peasant prostrate in the dust before the wayside icon. The chief of the reactionaries and the foremost apostle of absolutism to-day in Russia is Pobiedonostyeff, Procurator of the Holy Synod. The influence of the Sanhedrin fuses with the purposes of the grand ducal oligarchy to paralyze the hand which the puppet Czar would stretch down in sympathetic pity to his people. It is not to be supposed that such a man as the grand duke Boris is distinguished for his piety. But he, together with the other thirty-four imperial parasites who compose the grand ducal coterie, has the political sagacity to perceive that the foundation stones of the entire official edifice are cemented by the piety of the people. Gibbon characteristically remarks of the Greeks and Romans "All forms of worship were tolerated. All were considered by the people as equally true, by the philosopher as equally false, and by the magistrate as equally useful." "If we are not ourselves pious," said the warlike Pope Julius II, on assuming the tiara, "why should we prevent others from being so?"

Russia of dreary steppes and forests, God-rebuked arctic areas and desert desolations—Russia toiling, advancing, weeping, praying—Russia vast and amoebic, bodies itself forth, articulate and intelligible in all its illimitable power, in the personality of the Czar. The "Little Father" represents the distilled essence of the mystery, the majesty, and the might of the nation. The scepter and the icon, twin symbols of authority, are also twin symbols of Russian veneration and of Russian submission.

ALFRED PEARCE DENNIS.

Smith College.

## THE INDUSTRIAL PROGRESS OF GERMANY.

### II.

### III.

**B**EFORE undertaking to trace the relations between Germany's economic life and the character of its people, I must make a few preliminary observations. Let us first ask the question, what we expect to explain by the peculiarities of national character, for the concept "economic life" is altogether too indefinite to be used as the central point of these considerations. We ought to define the task a little more definitely by saying that we are to examine what part the nature of the German people has played in their rapid economic progress, that is, in the development of the productive powers of the country during the nineteenth century. This task becomes still more definite, when we consider that this development of productive powers has taken place within the limits of a definite economic system which we call the capitalist system. Our question thus resolves itself into another: To what extent does the German national character meet the conditions imposed by the capitalist system? Since, however, the distinguishing peculiarity of this system is found in the sharp distinction between a class of leaders whom we call business managers and a class of dependent persons working for wages, our problem will resolve itself into two: Does the national character suffice, and, if so, to what extent and in what way, to meet the requirements which must be made of a body of capitalistic employers, and also those which must be made of a mass of wage workers toiling in its service?

Another point regarding which we need to be perfectly clear is the fact that the conditions which the German people fulfil in the way of qualities which give their economic life a definite character, are more or less peculiar to them. Obviously certain economic processes (the rise of capitalism, for instance) take place in a certain form, because the Germans are Europeans and

not Orientals. Here those peculiarities are decisive which are common to all European nations. In other cases the Germans share important qualities which are influential in determining the form of economic life with all Europeans of the north and east, with Germans, Celts, and Slavs. In still other cases the specific trait shows itself as a common inheritance only of the Germanic races in the strict sense, and finally there are characteristics which are confined to the German people.

These considerations lead us to the view that the causes of national differences must be very varied, that we must above all avoid laying too exclusive stress upon race characteristics. How far certain definite traits of national character have been caused by the original physiological endowment of the race, how far by climate, how far by the common experiences in historical times, are questions so complicated and so little understood that we shall do well to give them but occasional consideration. For our purposes it will suffice if we confine our views to those peculiarities of the German race which we may recognize as of determining importance on economic life in the immediate historical past. This treatment will perhaps encourage students of race psychology to make further advances on the road which has already been explored with great success by such men as Taine, Brandes, Hehn, Gobineau, Ferrero, Blondel, and Chamberlain.

The Germans have, in common with all Europeans, what we may call the capacity for capitalism. By that I mean the capacity to enter upon the limitless field of money-getting; to divest economic activity of the character of a mere means of supporting life; to leave the safe quietude of the handicraft and substitute for it the exhausting and uncertain position of a speculative capitalist; transform economic life itself into a rationally arranged mechanism of trade; in short, the capacity to be filled with the spirit which we have come to know as the specifically capitalistic spirit, and which we seek in vain in such civilizations as those of ancient India, ancient America, China, or Turkey. This spirit, however, belongs, in a marked degree, to the people who for a few thousand years have inhabited Europe, and it is certainly wrong to maintain that modern capitalism is a

creation only of the Germanic race and that it has been borrowed by the Latins. Such an assertion can only be maintained, if we assume that modern capitalism began in England in the eighteenth century, while in point of fact it was born six centuries earlier in Italy. If we wish to make a distinction between the north and the south in the genesis of modern capitalism, we must say that the Latins created it, but that the Germanic peoples have developed it to higher forms, and in so doing have outrun their former teachers. In order to do this they must have developed peculiarities which the Latins either did not possess, or did not possess in the same degree. What were these?

All northern nations, Germans as well as Slavs, among whom capitalism is also beginning to grow at a rapid rate, are decidedly superior to those of the south, who were made up largely of Latin races, in physiological vigor. To this circumstance we can trace a good part of the economic progress whose ethnical causes we are seeking in Germany.

This greater physiological vigor brings first of all a greater strength of body, and in this respect the German occupies a position between the Anglo-Saxon and the Slav, while he decidedly surpasses the Latin races, especially in endurance. The importance of endurance for successful activity, as far as it means steadiness in the processes of production, was pointed out when we were considering the importance of climate for the character of economic life. We shall later see that this *vis durans*, which even Tacitus ascribed to the Germans, has also a connection with the psychical endowment of our race. Now if a nation is physically more efficient than another, there is no doubt that under equal conditions it will more quickly attain wealth.

Still more significant for the modern capitalistic development is a further consideration which results from the greater physiological vigor of a nation like the German, namely the greater fecundity. Germany has always belonged to the countries with many children. As long ago as the sixteenth century Sebastian Franck made this observation: "You see nothing but child after child in Germany, especially in Swabia. The women of Swabia are confined twice a year." That is still the case. After Russia,



Germany is the richest country in children. For every 10,000 inhabitants there are 363 living births a year in our country as against only 226 in France. Hence the increase of population in Germany is correspondingly great. In the course of the nineteenth century the population within the present territory of the Empire has much more than doubled, in spite of the considerable numbers of Germans who have emigrated during this time. In 1816 there were 24,300,000 souls in the territory of the present Empire, while to-day (1900) there are 56,300,000, which corresponds to a yearly average increase of 1 per cent., while more than 5,000,000 Germans have emigrated from their homes during the nineteenth century. In order to measure the meaning of these figures, we must compare them with those of a country like France, which is practically stationary in its population. In the middle of the century there were as many people in France as in Germany. In 1845 there were in Germany 34,400,000, in France 34,500,000, while in 1820 France had nearly 4,000,000 more than Germany. To-day the French population has risen only to 35,500,000, and is, therefore, more than 20,000,000 behind Germany.

Undoubtedly there is a close connection in our day between the intensive increase of the population and the intensive development of capitalism.

Even if one inclines to the view, which is taken by so distinguished an observer of German conditions as George Blondel, that a large part of the economic progress of Germany in the last generation is due to this emigration, it must, nevertheless, be realized that the real explanation lies deeper. It is true that at first every emigrant means a loss for the country, and especially for capitalism, but it has been correctly observed that in the course of time emigrants become customers for the exports of the home country, and that in that way exportation of goods may, under certain circumstances, be developed more rapidly than would have been possible without the help of its children who were scattered over the globe, and as far as every extension of the market, whether domestic or foreign, acts as a stimulant to capitalistic industry, we can say that emigration is a means of furthering capitalistic development. But I do not wish to

give too much importance to this consideration. In the first place it must be recognized that the emigrants are not always certain purchasers of the commodities of their mother country—indeed often become bitter competitors of home industry or agriculture. We must also remember, in the second place, that the stimulating effect of the excess of population which is lost to a country by emigration would have been very much greater, if these had remained in the country and had sought to make their living at home.

What really makes the increase of population such a powerful spur to capitalism is this: first of all it creates among the well-to-do classes an eagerness to make money and a zeal for business, and prevents the formation of a class who are satisfied to live on their incomes rather than engage in commercial enterprise. It, therefore, furnishes a continual supply of gain-seeking, daring personalities, the creators of the capitalistic organization, for it is clear that the sons of a rich man take a different attitude towards business life, if they are many, than if they are few. Fortunes being equal, a smaller portion comes to the individual in the first case; each feels more keenly the necessity of keeping himself upon the social level of his parents by industrial activity than where the inheritance falls to one or two. Furthermore, where there is a large family, quite a different attitude is taken by well-to-do parents towards their children. They are more inclined to have their children "learn something worth while" than to leave them in idle possession of a fixed income. It seems to me quite justifiable, therefore, to make this distinction between France and Germany, that the highest aim of French parents is to give their children the ability to live without care, but of the German parents to fit them as well as possible for the struggle for existence. Therefore, the former save as much for their children as possible. The latter try to give them a good education. The social ideal of all southern nations, in which possibly the climate may have some share, is a comfortable, assured income, even though modest. The ideal of the people of the north is rather to improve their own position and that of their children by increasing gain. The southerner would like to be or remain something,

the northerner would like to become something. It cannot be doubted that this difference is, in the main, explained by the greater fecundity of the latter people.

But the more rapid increase of population does not simply furnish the "subjects" of capitalistic enterprise. Above all it supplies what we may call the "objects" of capitalistic organization. I mean the existence of such persons as can be brought into the service of the *entrepreneur*, and on whose existence capitalistic enterprise is no less dependent than on the existence of a proper class of business managers, for we must never forget that there will be no capitalism in a country as long as everybody finds support in the position of an independent producer (such as a peasant or a mechanic), or of a store-keeper, or of an official, or of a landlord, or in any other position that can support him independently. There must first be a mass of people without property who will under all conditions accept employment where they find it, in other words, a class of dependent wage receivers, before capitalism is possible.

Now such masses, which may be called the surplus population, will come into existence the sooner, the more rapidly the population increases. If this increases as slowly as in France, they may maintain themselves through generations without furnishing a single candidate for capitalism. The existing peasant farms will suffice to employ all of the successive generations, and leave them in the position of peasants. But if a peasant family has, not two, but on an average four or five children, it is evident that in time a constantly increasing percentage of the offspring will be confronted with the necessity of earning a living outside of peasant farming. If they cannot find a new farm in foreign countries, if they cannot become artisans or officials, nothing remains but to offer their services to a capitalistic employer, whether as a higher official, as an engineer, a chemist, a clerk, a superintendent, if the parents have enough to teach them something, or as a common wage receiver, if no higher education has been possible. It is, furthermore, also clear that these favorable conditions for the *entrepreneur* become more favorable, the greater the increase of the population; for as the competition of those seeking work with each other becomes

keener so much the more are wages depressed, so much the greater are the chances of profit open to the *entrepreneur*, or else the possibility of introducing his products through low prices. Both work equally as a stimulus for the extension of capitalism, which thus grows as it were spontaneously from a strong excess of population.

So much for the importance of an increase in numbers for the development of capitalism. Now a word regarding the qualitative side of the problem of population. I have already pointed out that apparently all Europeans, in contrast to other races, have a general qualification for capitalism, but doubtless some of these Europeans have this qualification in a higher degree than others, and among these again the German nation is predominant. What does this come from? What makes us so peculiarly fitted to attain to power and wealth during the prevalence of the capitalistic system? In other words, what explains our special talent for capitalism?

As far as I can see, it comes mainly from a fundamental trait of our national character, regarding which I will not attempt to say whether it is common to all northern people. Whether it be due to their more hardy virtue, to their closer race solidarity, or to their impossible climate, at any rate it is a trait which is peculiarly pronounced among the Germanic races, but for which it is difficult to find the right name, and which, therefore, I can describe only in somewhat general terms. What I refer to is the marked lack of sensuous, artistic temperament which is so characteristic of the German people, and which distinguishes them so sharply from all Latin nations. It is not difficult to show how important this characteristic is for the course of economic development, if we examine the various symptoms by which this specifically inartistic nature manifests itself.

First of all we have the strong ethical endowment, which is as it were a lack of aestheticism translated into positive terms. The man of artistic temperament looks at the world from the point of view of the beautiful appearance, of the harmonious form, of individual self-completeness of each thing. The inartistic man looks at things from the point of view of the end.

For the former every manifestation of the outer world as of the inner life is an end in itself, for the latter it is a means to an end. The former, therefore, recognizes as his highest aim self-sufficiency, the latter a life of striving and a surrender to prescribed tasks. The former lives for the person, the latter for the thing. The center of all interests for the former is *piacere*, an idea for which we have not even a word, for pleasure or *Lust*, to use a word by which the title of D'Annunzio's famous novel has been wrongly translated, do not mean the same thing. For the latter the central idea is *Pflicht* (duty), a word which again the Latin cannot easily translate, for *devoir* and *dovere* do not accurately convey the meaning which is carried by the piercing German word *Pflicht* with its six commanding consonants which shoot the thin *i* like a sharp arrow in the distance. Whence have we Germans this strong sense of duty? Who can say? Perhaps there may be a kernel of truth in Ferrero's hypothesis, that we are no erotists like the southerners, and therefore less sensitive, less guided by external appeals to the senses. It may be, again, that the climate has something to do with it. I have already hinted at this. If Madame Girardin has said in bitter contempt of her compatriots "En France, on a toujours mieux à faire que son devoir," we may add by way of excuse that this is no wonder in such a beautiful country as France or Italy or the southern part of Spain. Among us hyperboreans, where fog envelops us the greater part of the year, where it rains when it is warm, and is cold when it does not rain; in such a country one has nothing better to do than one's cursed duty. But, as I have said, I will not try to trace the origin of the categorical imperative. It is characteristic that this very expression comes from Königsberg. One need but compare the personality of the man who coined this expression with a man like Leonardo da Vinci to realize clearly the difference between north and south. Suffice it to say that the sense of duty exists and rules our character. Now it is also clear that this must exercise the more influence upon the character of economic life, the more severe the forms which it assumes. Now we must crack skulls. The times of the comfortable, assured position of the craftsman, in which a smug life could



be lived out without hindrance, are gone forever. In the hard struggle for existence which our present day economic life represents, it is an enormous advantage for a nation, if a great majority of its members have learned to take matters seriously, to surrender themselves entirely to a task, whether great or small. The southerner who visits the north, and especially Germany, is impressed by nothing so much as by this undismayed fulfilment of duty in all classes of the population, this working through a prescribed task as a matter of course, the thoroughness in all things, a conscientiousness which cannot be deflected from its goal, a *Cosciensiosita* which permeates the greatest *entrepreneur* and the humblest day laborer in an equal degree, and which perhaps finds its most pronounced expression in the German official class.

If, then, we can justly say that we are born officials (for men are born either artists or officials), this designation has a deeper significance, when we consider another mark of our national character, which also comes from our lack of an artistic temperament. I refer to what I may call the talent of being a partial man, a talent for specialization, which is quite lacking in the southerner. The latter, with his sensuous, artistic, unethical nature, has a tendency to group the world about himself and his own personality, and, therefore, to retain the latter as an entity. We have, on the other hand, resolved our individuality into a number of parts which we adapt and subordinate to objective purposes. As we have little sense of form, so also we have little appreciation, either outwardly or in the inner mind, of the organic nature of a living, rounded personality. In this way we have acquired the important ability to work in a single direction, to develop small particles only of ourselves, and aided by the *perseveranza* which has already been mentioned to turn ourselves into *virtuosi*. That is seen with special clearness in our attitude in regard to science. As long as it was a matter of making science out of nothing by means of creative intuition and a genius for combinations, so long the Latin nations were in all fields, if not our superiors, at least our equals. Among the great founders of the natural sciences there are as many of the Latin as of the German race. But to-day, where we are

striving to build up in a systematic, methodical way on a foundation which has already been laid, and where an industrious, conscientious specialization and learned spirit of investigation carries off the victory, to-day is the time of the Germanic peoples fulfilled, and we have become the leading nations in many sciences. This predominant position, especially in natural science and in the closely connected technological branches, has had an extremely encouraging influence on the character of economic life. We have to-day the best chemists, the best engineers, and this gives us a powerful advantage in industrial matters. The fact that the most successful German industry of the present day is the chemical industry, in which we command the markets of the world, is due in a large measure to the perfection which our scientific chemistry and our chemical technology have acquired.

And just as our ability to be partial men has aided us in gaining the victory in scientific matters, it has also maintained its power in strictly social fields. The scientific *Teilnehmensch* has a social *Teilnehmensch* as the type of German character at his side. I refer here to our ability to subordinate ourselves to a large whole and to a powerful organization in such a way that we work like a small wheel in a machine, and that, from the working together of many, a powerful increase of force arises. We might also designate this ability as a talent for coöperation in the wider sense of the word. To look at the matter more closely, this shows itself also in a surrender of personality, of completion, and of individuality. It shows itself also in the devotion to an objective end, a devotion which appears here in its more outward physiological aspect. Sense of duty appears now as discipline, but discipline involves not less the art of commanding than the art of obeying, not less the art of managing than the art of subordinating oneself, and both traits are combined in the German national character. Therefore, we are the best school teachers and the best army organizers of the world. We also have the best ordered government and the best army of the world.

Now it is perfectly clear what an immense importance such an endowment must have for the development of economic life in a time in which the latter is becoming constantly more com-

plicated. Every large capitalistic enterprise is a marvel of relations of human beings who are subordinated to and coordinated with each other. Every transportation enterprise, every manufactory, is an artistically contrived structure of partial men who are knit together in a great united whole by the command of one head. Though in the last resort necessity may force the worker of a southern nation to bury his personality in such a mechanism, it is always hard for him, and he never thoroughly learns to adapt himself to it as does the northerner, whom nature has originally made a partial man. If one of the reasons for the rapid development of capitalism among the Germanic nations lies in this peculiarity of our labor material, the same trait helps us when it appears in the managers, not only where they rule, but also where they have to subordinate themselves to others. It has well been pointed out, that the rapid development of pools and trusts in the Germanic nations is to be partly explained by the greater discipline of our business classes.

But if we Germans have accomplished so much in the matter of industrial discipline, we should not forget that we have been artificially trained to this by the peculiarity of our political conditions, which, especially in Prussia, have been working for centuries towards a strict training of the individual. The military drill has become part of our flesh and blood, and through a curious irony of history has now become an important factor in industrial progress.

I have now carried my explanations to a point where a new perspective opens before us, for it is evident that with the last thought I have touched upon the influence which the common history of a people exercises upon its character, and thus indirectly upon its economic life.

If we ask how a state gains influence upon the character of its population, the first answer must be, by the mere fact that it binds the population together in a unit. For inasmuch as almost everywhere upon the earth the most varied races are found living together, or at the very least various branches of one and the same race, we find, within the limits of states which chance has set in the course of years, a definite combination of the most varied ethnical elements. The composition of an his-

torical state is, therefore, like a prescription: Rec. So and so many Germans, Slavs, Celts, Jews, etc. I need only suggest what slight changes in the quantity and quality of various ingredients are necessary to convert the dish into quite varied forms—here an English plum-pudding, there a German currant cake—in order to inculcate respect for the significance of historical race combinations.

In Germany particularly, the population represents a surprisingly complicated mixture of many races, and I think that in the fortunate ethnical mixture which has been brought about by the delimitation of the *Zollverein*, and afterwards of the German Empire, may be found an essential explanation for its rapid industrial growth in the nineteenth century. First of all, as is well known, there is no country in which such a strong mixture of Germans, Celts, and Slavs, therefore of the three related Indo-European races, has taken place as in Germany. And that was well, for, as far as we can learn, no one of the three races, in its purity, is so capable of development as is a proper mixture of the three. The ethnical contrasts which Germany of the present day contains are a particular stimulus to growth in modern economic life. Swabia and Saxony represent, as it were, two sides of capitalistic organization, namely speculation and calculation, initiative and execution, synthesis and analysis. Now there can be no doubt that the above mentioned races (especially the Germans in those districts where the mixture is slight) have become, in the course of centuries, a mass without much mobility. To adopt a familiar simile, they are bread without leaven. In order to make a good loaf of them there must be an ethnical leaven, and it seems to me to be an important feature of the German character that it has received this in the proper proportions during the last centuries.

A factor that in former times contributed towards the development of a shrewd, industrial class was found in the French emigrants. It is well known that many of the best manufacturers of France had to leave their country for religious reasons, and that a large part of them settled in Germany. No inconsiderable fraction of the industry of the Rhine country, of Berlin, and of other sections may be traced to French origin,

and I believe that I am not overstating the case, when I assert that the industry of France is still suffering from the loss of the élite of its business men.

But this infusion of Latin elements in the Germanic-Celtic-Slavic population of Germany is of much less significance for the progress of economic development than that of a race ethnically more active, which has exercised extraordinary influence upon the character of our economic life. I refer, of course, to the infusion of the Jewish element. We need not go so far in the estimate of this influence as the greatest Jew whom the nineteenth century has brought forth, Karl Marx, who holds that the practical Jewish spirit has become the practical spirit of the Christian people, and adds that the Jews have emancipated themselves in the measure in which the Christians have become Jews, and that the real character of the Jews has been realized in middle class society, in other words that modern capitalist methods and Jewish business methods are identical. Nevertheless we must concede that our economic life, as it has developed in the nineteenth century, would be inconceivable without the influence of the Jews. If we regard the matter from the point of view of recent economic development, if we look at the unfolding of capitalism and the liberation of great productive powers as progress, if we attach weight to the rank which our state now takes in the markets of the world, we cannot refuse to recognize the existence of Jewish elements as one of the greatest ethnical advantages which this country controls: *si le juif n'existait pas, il faudrait l'inventer*. This question is so much debated that I shall have to deal with it at some length, difficult as it is to treat it in an absolutely unprejudiced way.

It is always hazardous to attribute definite peculiarities to a people or a race. It is particularly so in the case of the Jews, for no nation is so full of contrasts as this wonderful race in its varied mixture of diverse elements. Nevertheless we can establish certain typical characteristics which are of importance for economic life, if we do not consider, to speak with Marx, "the Sabbath Jew," but the real, worldly, "every-day" Jew, who alone is important for economic conditions. The sketch of the Jewish national character which has been given by their



own great compatriot does not seem to me quite true to nature, when he says: "What is the worldly trait of Judaism? Practical need, selfishness. What is the worldly civilization of the Jews? Bargaining, *der Schacher*. What is his worldly god? Money." Nevertheless I think that certain sides of the Jewish nature, though somewhat accentuated in these sentences, are correctly described. In a somewhat different form I should like to consider three sides of the Jewish national character as especially significant for the part the Jews have played in the modern business world: the predominance of will power, egoism, and the abstract character of their minds.

All attentive observers agree that a will power which is not to be diverted from its goal is the most striking characteristic of the Jewish race. The persistency with which the Jew carries out his designs qualifies him to an eminent degree to exercise a dynamic force in economic life. Step by step, undismayed, he follows his path. From small beginnings, as we all know, through all the stages of industrial activity, traversing each throughout, moving always from the immediate stage to the next at hand, keeping his head and keeping his courage in the face of difficulties, seizing upon the smallest advantages, he climbs steadily upward. When misfortune overtakes him, he picks himself up. Like a cat he always falls on his feet. Strong love of family, great moderation in life, as long as he has not reached his goal, help his efforts. What he himself has not attained may perhaps be attained by his son or his grandson. Always undismayed, always active, always striving, he is a real leaven.

In close connection with his strong will power is the undoubted talent of the Jewish race for egoism, or as Marx calls it, for practical needs. Every one knows the expression of another great member of the race, Spinoza, who said: "In order to attain what we demand for our salvation and our peace, we need no other principle than to take to heart that which conduces to our own advantage." If we find so many Jews with diametrically opposed views, with an almost exaggerated altruistic sense of a rigorous self-renunciation, and with a zeal against all selfishness, we may, from this very reaction, conclude the real

existence of what we have designated as a national characteristic. It has often been pointed out with justice that the really heroic, prophetic sense which distinguishes certain members of the Jewish race presupposes ethnical peculiarities which in a high degree must have provoked this kind of preaching. The thing that interests us here is the connection between this selfish trait and the importance of the Jews in the economic sphere. As far as in this sphere the morals of business have come to prevail, and the principle is regarded as unquestioned that one may do anything that one can, within the often elastic bounds of penal law, advantages must accrue to that race which has developed self-seeking to a high degree. This explains what one has sometimes called the unscrupulousness of the Jews. The Jew is apt to be less particular in the choice of means that lead to an end. Therefore, he is a past master in the art of advertising. But upon the proper and successful application of this rests a large part of economic success in modern times, because one of its chief arts is that of drawing customers.

But all this would not suffice to explain the important part played by the Jew in modern industrial life. The thing that especially adapts him to this leadership is the third quality which has been mentioned, his talent for the abstract. This has never been disputed. The Jewish religion is its most striking proof. This abstract method of thinking, which is equivalent to an indifference towards quality values, to an inability to value what is concrete, individual, personal, living, finds, when applied to the material world, its natural symbol in money. In money all qualities of commodities are resolved. In money they simply appear as quantities. Money is the expression, not for the personal value of a thing, not for *what* it is worth, but for *how much* it is worth. It is, therefore, more than an historical accident which gives money and its position an exaggerated importance among the Jews, though historical accident has, as a matter of course, had a share in bringing this about, since peculiar social relations restricted the Jews for centuries to business of a strictly "financial" kind. Precisely in money is found, to borrow a simile of Marx, the most complete expression of the Jew's worldly god. Other circumstances have still fur-

ther intensified this money idolatry. I have already mentioned the compulsory limitation of the Jews to money dealing to which the laws subjected them in the course of many centuries. And part of the same system were their legal disadvantages, their exclusion from the offices and dignities of Christian society, their exclusion from landownership. They thus learned to find in money a substitute for the things from which the law excluded them, public honor and esteem, and all this in turn produced an intensified valuation of this healer of all pains, this balm for all wounds, this wonderful comforter in all suffering.

The restless energy of the Jewish race, the never-ceasing activity, found their natural field in the search for money, and the practical sense which has already been described soon transferred this striving into the sphere of business enterprise. The desire for money as a possession becomes an intensified striving for profit, an acquisitive activity, which, it is true, is by no means confined to the Jewish race, but which, for the reasons given above, naturally reached among them its fullest development. We now see what it means to have the Jews attain so great an importance in business life in our particular age. As we know, business in the modern capitalistic organization is entirely directed towards acquiring money. All economic functions are divested of their concrete quality to appear only in their relations to money, that is, in an abstract quantitative expression. All economic life becomes acquisition, all economic processes become business. I have already pointed out how all spheres of industrial activity are imbued with a rationalistic spirit, how that which is practical determines economic success. Does not all this signify developments, changes in ideas and practices which favor the Jewish spirit, which always give it a broader field of activity?

How far these specifically capitalistic traits of economic life are adapted to the Jewish character, we can see in the fact that we find the Jews most at home in those lines of activity in which abstract money relations prevail exclusively, such as, above all, dealing in money, then dealing in merchandise, especially as middle-men or retailers. On the other hand, the Jews are not nearly so active in the sphere of production, especially

in agriculture. Of 10,000 Jews in gainful occupations in Prussia, only 106 were found in agriculture as against 3,411 Protestants and 3,929 Catholics, while 2,119 were engaged in industry (compared with 3,524 Protestants and 3,762 Catholics). Of these, 885 are occupied in the clothing trades alone, that is, in those branches which are half in the nature of trade. On the other hand, if we look at commerce, we find 5,025 Jews as against 522 Protestants and 377 Catholics, and yet for several centuries all branches of business life have been open to them. But it is evident that in agriculture and in industry, even where they are organized on a capitalistic basis, there exists a relation to the concrete goods which are produced, as well as to the living human beings who produce them, whereas in money transactions this relation is entirely excluded, and partially in commerce. As regards the latter, this is especially true of the trade of the retailer or of the middle-man who passes the goods from one dealer to another. In import trade, on the other hand, where the products of foreign countries are directly brought in, the concrete relation to the peculiar civilizations of the producing countries appears more marked, and precisely in these branches we find a comparatively small proportion of Jews.

The purer, therefore, the capitalistic character of economic life, the more opportunity is given to the Jewish talent. We can also express the matter by saying, that the more the Jewish character prevails, the more exclusively is a capitalistic organization applied. And now no one can any longer doubt in what consists the great significance of the Jews for modern economic conditions. It hastens the transformation to the capitalistic organization, which is the perfected system of the present time. This mission of the Jewish race is brought to the clearest expression, where it is a problem of destroying the few remaining relics of precapitalistic organization, that is, the elimination of the small craftsman and the old-fashioned shopkeeper. We can confidently assert, that such trades as tailoring, shoemaking, carpentering, and building owe their decadence to the restless activity of Jewish business men. Hence we find precisely among the ranks of the dwindling artisans a quite natural anti-Semitism, which, as is so often the case in these blind popular movements, fastens upon the



tangible form, namely Judaism, instead of the inner essence, capitalism.

Do not let us forget what it was that led us to this explanation of the economic endowment of the Jewish race and of its functions in modern economic life. It was to prove that Germany owed its economic progress during the nineteenth century, as far as it is dependent upon the character of the population, among other things, to the presence of its Jews. To prove the accuracy of this statement we must make some supplementary observations. First of all, let us see in what proportion the Jewish elements have been mingled with our people.

In Germany there are, for every 10,000 inhabitants, 111 who belong to the Jewish confession. This figure does not, of course, express the percentage of the population which belongs to the Jewish race, but the statistical publications give no other figures than those of religion, and we must, therefore, content ourselves with these, and they suffice for our purpose. For the present we aim merely to show in what proportion the Jews are found in the German Empire as compared with other countries, regarding which also we have only figures showing confessions. These show that the percentage of Jews in Germany is exactly as large as in the United States of America. It is premature to say, that we have the right infusion of Jews to produce that economic progress which has been so great in both countries during the past generation? Can we also infer that Scandinavia, Italy, Spain, France, even Great Britain, have fallen behind us and the United States because they have too few Jews? In Great Britain for every 10,000 inhabitants there are 20 Jews, in Italy only 15, in France 14, in Sweden 7, in Spain less than one. On the other hand, in countries in which the Jews are too numerous, economic development is retarded for obvious reasons. As an example take Roumania, which has 450 Jews for every 10,000 inhabitants. Another circumstance must be considered in the case of the German Jews, which gives them an even more peculiar importance. I refer to the fact that they have only half acquired equal rights in our public life. It is a well known fact that the Jew still finds obstacles in Germany in the choice of a profession. The army and the administration are entirely



closed to him. Teaching, the bench, and other spheres of occupation are by no means wholly open. Thus many of the most intelligent Jews are forced into business, while in France, for example, the few Jews who are there have been, to a large extent, taken into the civil service and the army, so that the flour of French industrial life feels doubly the lack of leaven which the Jewish element represents.

By bringing about a certain mixture of the elements of its population a state, by its very existence, influences the character of its inhabitants. Now I should like to call attention to an influence which is the reverse of that which has been just explained. I refer to that due to the non-existence of the state. To be more exact, it seems to me that the economic development of Germany in the nineteenth century may be caused partly by the fact that a powerful state, capable of giving its citizens support and self-reliance, did not come into existence until the last third of the century. The German nation developed the finest flowers of its intellectual culture, the most precious phases of its national character, as the result of the long centuries in which there was no German state, and through the same causes it developed the qualities which made it at the end of the nineteenth century one of the most powerful and most wealthy economic territories of the earth.

Among these qualities I should place at the head of the list our adaptability. By this adaptability we have been able to conquer our position in the markets of the world, and it has also been of value in the development of our national system of production. The very fact that we had no state which could stir our pride, the very fact that *civis germanus sum* sounded almost ridiculous, taught us modesty, taught us the art of understanding and adopting foreign ideas, made it possible for us easily to adapt our way to the needs of others. I wonder if the languages of other great nations are as rich as our own in proverbs which inculcate modesty and submissiveness.

"Gebückt, gebückt mit dem Hut in der Hand,  
Kommt man bequem durch's ganze Land."

"Schick dich in die Welt hinein,  
Denn dein Kopf ist viel zu klein.  
Dass sich schick' die Welt hinein. . . ."

I remember that these and similar sayings characterized the teachings of my father.

To-day we grow indignant at such a slavish disposition, but we should not forget that it has been a great help to us in a business way. The fact that we are able to best the Englishmen in the markets of the world, to say nothing of their own country, is due in part at least to our submissiveness, which led us to give up our own idiosyncrasies, whereas the Englishman has always aimed to force his ideas upon others. As long as he played the part of the oldest son among the Europeans, he was able to carry this through. Now he has learned that we are taking the wind out of his sails by our greater ability to adapt ourselves to the wants and peculiarities of foreign nations. Blondel has collected in his readable book regarding the economic progress of Germany a number of cases in which this talent of the Germans to adapt themselves to the needs of a foreign nation is brought out clearly. For example, the people of Brazil do not like to buy things on which there is anything black. The English had been in the habit of exporting to this country excellent needles, but they were packed in black paper. Manufacturers in Saxony learn of this whim of the Brazilians, send over needles of much poorer quality, but pack them in pink paper, and in this way capture the market. Another case occurred in Trinidad, where the English had been selling shoes. The natives have flat feet, which the English foot gear did not fit. The English importers insisted upon introducing goods of this character. Then the Germans came and at once adapted other lasts to the feet of the natives, and very soon no more English shoes were sold in that market. These are all trifles, but they seem to me nevertheless significant.

But the lack of a strong state has brought us other advantages besides the ease with which we meet the wants of others, besides the lack of national pride or national conceit. It also forced us to exercise greater energy, to develop more powerfully our economic talents. The markets of the world were in this respect our school room. A nation which has a strong representation abroad is able to use this to introduce its merchants among foreign peoples with that prestige which comes from brute force.

This is especially so if the nation has extended colonies, where it can often influence the sale of foreign goods and of its own by other means of recommendation than mere economic superiority. On the other hand, the merchants and manufacturers of a nation which does not enjoy this external support can get a place in the sunshine only by the exercise of economic power. It is, I think, no paradox to say that the great colonial empire of England has had the effect of making the English business men complacent and one-sided. They are now reaping the consequences, while we, on the other hand, are getting great results from that energy which we were forced to develop in competition with nations of greater political power, before we had become an empire with a strong foreign representation. The fact that the power and position of the empire gave us advantages which enabled us to utilize with still greater effect the economic position which was developed in the time of our political disintegration is not inconsistent with the above statement.

To mention one final point, the character of our nation is determined in no small degree by the backward condition of our home politics. We are still living under a half-way absolute government. We have, especially for the middle classes, no such political career as constitutional countries offer. In this way another effect has been produced which is favorable to economic life. We do not have such a strong diversion of talent into politics. Neither the rich people of the middle class nor persons of distinguished natural ability are drawn from business into politics. Persons of talent are, therefore, free to utilize their abilities in the service of business enterprise as directors, engineers, chemists, etc. I am firmly convinced, though it cannot be proved by figures, that in such countries as France and Italy there is quite a different distribution of the men of brains between business and politics from that which exists in Germany. In those countries I am sure that a great deal of brain power is absorbed by the political career which in Germany is utilized in industry and commerce. Even though this circumstance may not play a great part in the general result, it must be mentioned for the sake of completeness.

WERNER SOMBART.

Breslau.

## DISFRANCHISEMENT IN WEST VIRGINIA.

### II.

#### VIII. LEGISLATURE AND LEGISLATION OF 1870.

As a result of the election, a large number of "Liberal" Republicans were sent to the Legislature. By uniting with the Democrats they organized the House, but were unable to organize the Senate. This was one of the most important legislatures that ever met in the State. It introduced those measures which led to a full recognition of popular rights. The most prominent of its members were: Nathan Goff, Henry G. Davis, Daniel D. T. Farnsworth, F. H. Pierpont, Daniel Lamb, J. M. Jackson, John J. Davis, W. H. H. Flick and George C. Sturgiss.

Each party sought to secure a greater popular following than the other because of its attitude on public measures. The Republicans wished to continue in power; the Democrats wished to succeed to power. The latter were the more radical in their demands, favoring the immediate legislative repeal of all proscriptive laws regardless of constitutional requirements. The former favored the repeal of the test-oaths and the legal repeal or amendment of the organic restrictions upon suffrage. The legal repeal as opposed to the immediate repeal was favored, because that course would give time in which to adjust political machinery.

The conflict for popular following began with the organization of the two Houses. The Republican papers warned the Democrats not to unite with the "Liberals." They said: "All reform legislation must come about from the united Republican party and from that source alone."<sup>1</sup> In defense of Democratic action, the *Parkersburg Gazette* said: "The *Intelligencer* claims that the political shackles under which a large part of our people groan must be stricken off by the party which has forged them and in such a manner and at such a time as the Radicals dictate, or else they must clank for another session. If a Democrat dares to put

<sup>1</sup> *Wheeling Intelligencer*, January 17, 1870.

his sacreligious hands to the good work, the 'let-uppers' are invited to wheel into line and to go back on their solemn pledges made the people in the recent campaign."<sup>1</sup>

The Legislature began work by repealing some of the test-oaths. Many bills were introduced to repeal and amend the registration laws, the most important of which was a substitute bill by Wells of Tyler County. It made the office of registrar an elective position and provided for minority representation on the County Board of Registration. This bill passed the House, but was defeated in the Senate.

In repealing the test-oaths, the Radical desire to stand well in popular favor was so strong that resort was made to long preambles declaring the justness and necessity of the obnoxious acts at the time of their enactment. Thus, if Democrats voted for repeal they also voted that the acts had, at one time, been just and necessary. Refusing to make such admissions, that party, in some instances, went on record as against repeal.<sup>2</sup> They also opposed the amendments to the registration laws because of their uncompromising attitude against any registration. As the *Wheeling Intelligencer* said: "If they cannot have no law, they want the law as odious as possible. With the law in its present shape, they can go before the people and make good capital of it."<sup>3</sup>

A solution to the perplexing problems was finally reached by Mr. W. H. H. Flick,<sup>4</sup> of Pendleton County, who introduced, in

<sup>1</sup> *Parkersburg Gazette*, January 20, 1870.

<sup>2</sup> *House Journal*, 1870, p. 109.

<sup>3</sup> February 7, 1870.

<sup>4</sup> William Henry Harrison Flick, for forty years a prominent figure in West Virginia courts and politics, was born in Bedford, Ohio, 1841, and died at Martinsburg, West Virginia, 1903. In 1861 he enlisted in the 41st Ohio voluntary infantry and was wounded at the battle of Shiloh. In 1863 he located at Moorfield, Hardy County, for the practice of law. He subsequently moved to Pendleton County, which he represented in the Legislatures of 1869 and 1870. Among many conservative acts his greatest was the proposal of the "Flick Amendment" of 1870. In the fall election of 1870 he was defeated for election to the State Senate by Henry G. Davis. Later he was defeated for the Supreme Judgeship of the State Supreme Court. In 1886, he made the race for Congress against the late William L. Wilson and was defeated by ninety votes. In 1888 he again ran for Congress, but was defeated by Mr. Wilson. He was a great and promising man, but was obscured by the rising sun of Democracy.



the House, an amendment to the Constitution of the State restoring the provisions regarding the qualification of voters contained in the original constitution of 1863, with the exception that the word "white" was to be omitted.

For the time the Flick amendment disorganized both parties. The party lines had been fairly well drawn on the registration question, but now disintegration set in. The "Liberals," led by Mr. Flick, drifted from the Radicals, led by Goff and Sturgiss. The Democrats also divided into two factions: (1) those favoring no compromise, by which negro suffrage would be recognized, were led by John J. Davis of Harrison County; (2) those favoring a more liberal policy. The latter were divided into two subfactions, led by Lamb of Ohio and Smith of Kanawha County on the one side and Jackson of Wood and Brannon of Lewis County on the other. The liberal Republicans and liberal Democrats were never so hostile that they could not get together, which condition was very conducive to reform legislation.

Mr. Sturgiss, as a leader of Radical sentiment, introduced a substitute for the proposed amendment, which proposed to omit "white" from the Constitution as amended in 1866, but to retain the disfranchising clauses as they were.<sup>1</sup> He also favored a provision by which the Legislature could, by a two-thirds vote of each house, be empowered to remove disabilities and give persons the elective franchise. This latter measure was ridiculed by many as a means to "peddle suffrage" by a partisan Legislature. In defense of his substitute, he argued that the State should follow the example of Virginia after the Revolution, when permanent disabilities were imposed upon Tories. The vote on the substitute was: yeas 14, nays 39.

John J. Davis, the leader of the radical Democrats, introduced a substitute which restricted suffrage to white males.<sup>2</sup> In debate, he declared that the Fifteenth Amendment had not been and would not be ratified by the required number of States, and that the Secretary of State could not constitutionally declare it a part of the national organic law, because the consent of the Southern States had been procured by coercion. The vote on the Davis

<sup>1</sup> Journal of the House, 1870, p. 199.

<sup>2</sup> Journal of House, 1870, p. 189.

substitute was: yeas 15, nays 35, or about the same vote as that on the Sturgiss substitute. Others of Mr. Davis's way of thinking wished to follow the plan afterwards adopted by Kentucky, Oregon, and Delaware, that is, in practice to observe the Fifteenth Amendment, if they were compelled to, but never to make the State Constitution conform by the omission of the word "white."

Messrs. Lamb and Smith contended that, because it had never been legally adopted and was therefore not a part of the Constitution, it was not necessary to repeal the disfranchising part of that instrument. They said that, having been adopted under the coercion of test-oaths illegally imposed, the election at which it was claimed to have been adopted was illegal and that the Amendment of 1866 had never really been a part of the State Constitution.

Messrs. Jackson and Brannon, while they would not concede that the Amendment was legal, took a much better view of the situation. They argued that practically the restrictions must be recognized as a part of the organic law, that the Flick amendment was the beginning of a legal removal of the disabilities affecting ex-Confederates, and that it was now no time to quibble over the word "white" or over abstractions such as the constitutionality of an amendment which had been in practical operation for years.

The Liberal Republicans favored the proposed amendment, because they thought the Radicals in their party would yield, thus securing party harmony. Besides the measure was an answer to the popular "let up" policy, and it had also an element of delay, during which party machinery could be adjusted.

In the Senate, Henry G. Davis introduced a bill to amend the registration law. The bill resembled closely the Wells' substitute, introduced and passed in the House. It produced much discussion, but was finally defeated by the Republican senators, who expressed a desire to vote for the Flick amendment in preference to a registration law. Thus the proposed amendment became a compromise measure in the Senate, and all other "let up" legislation gave way to it. Here Henry G. Davis, as John J. Davis had done in the House, proposed a substitute which inserted the word "white." The vote on this substitute stood:

yeas 3, nays 19. The amendment passed by the decisive vote of 18 to 4. But one Democrat, Andrew Wilson, voted against it.<sup>1</sup>

The Sturgiss faction in the House had been the most formidable opponent to the "let up" measure, and it continued to oppose after its final adoption. The lack of Republican unanimity made it impossible to regard the Flick amendment as a measure of that party, as the Davis opposition in the House rendered it equally impossible to call it a Democratic measure. Had the "Radical" Republicans been in power, no "let up" legislation could have passed; had the radical Democrats controlled, every syllable of proscriptive legislation would have been repealed, regardless of organic restrictions, and the word "white" would have remained in the Constitution.

Immediately after the passage of the Flick amendment (which required the sanction of another legislature and a final ratification by a vote of the people before it could be a part of the fundamental law), Liberal and other Republican politicians began to assume all responsibility for the passage of the measure. They declared that it was the true Republican policy. The Radicals, however, disavowed the act, calling it a Democratic and "let up" policy. The desired party harmony and union were not materializing. The *Wheeling Intelligencer*, which had become very liberal, used the following editorial: "The keynote was sounded by the Republican majority in the Legislature in repealing the test-oath and proposing the suffrage amendment to the Constitution. We know it is a very discordant note in our neighbor's ear, (*Register*), but that is the fault of the ear and not of the note."<sup>2</sup>

The "Liberal" sentiment emanated from the "let up" strongholds, Mason, Wood, and Ohio counties. It became so intense that a call was issued for a Liberal convention which was to have met at Point Pleasant, Mason County. This convention did not propose to nominate candidates for State offices,—it intended simply to draft a strong resolution in support of the Flick amendment and recommend that its resolution be made a resolution of the regular party convention. The growing Radical strength made the proposed Liberal convention practically useless and it never materialized.

<sup>1</sup> Journal. Senate, p. 195, 1870

<sup>2</sup> March 30, 1870.

After March 31, 1870, when the ratification of the Fifteenth Amendment was officially declared, negro suffrage became a real issue in West Virginia. The people of the State were then called upon to express their opinions on a question which the national government had settled beyond the possibility of any one State's power to alter. Early in the canvass, the minority party manifested a disposition to keep the colored man from the polls at the municipal election held during the spring of 1870, and to support their course argued that the Fifteenth Amendment did not in itself establish negro suffrage, but that a statute law on the subject was necessary before the fundamental law could be carried into execution. Congress, however, came to the rescue of popular suffrage and enacted the "Enforcement Act" of May 31, 1870, which pronounced fine and imprisonment against all attempts or hinder or interfere with the exercise of franchise by the negroes, or with the counting of votes cast by them; the courts of the United States were given cognizance of all offences under the Act. The action of Congress did not stop opposition to negro enfranchisement in the State; it simply changed opposition from practical efforts to theoretical issues.

#### IX. PARTY CONVENTIONS AND PLATFORMS OF 1870.

Working under the feeling that the majority in Congress meant to "force negro suffrage down their throats," a large body of Democrats met June 8, 1870, in state convention at Charleston. The same divisions which had divided the minority party in the last Legislature were still in evidence, and the Flick amendment, which did not contain the word "white," was again the subject of discussion by those who held opposing opinions. James M. Chandler was the favorite leader of the liberal wing and Henry C. Davis was the leader of those who favored the "white man's party."

The question of negro suffrage was raised for the first time in West Virginia in the Democratic convention of 1870. It has ever since been an issue in these elections. Addressing a negro addressing another of his race, the speaker said: "The old man Henry C. Davis is man who favored the white man's party." Republicans now admit that the next State campaign will be fought out on the issue "white rule vs. negro rule."

Everything was harmonious in the convention until the committee on resolutions presented both a majority and a minority report, the former endorsing the Fisk amendment, the latter opposing it.

Frank Herford of Missouri, a minority officer, rose to prescription and having, with two or three exceptions, more degrees than any other clergy in the state, defended the majority report. He declared that the argument in the proposed constitutional amendment was the best way to enfranchise twenty-five thousand white men, and that its rejection did not in any way prevent the convention to begin suffrage which was already a settled thing. "The main thing for us to secure," he said, "is the ballot for white men."

Henry S. Walker of Kansas, on behalf of the minority, in answer to Herford, and asserting that it should not be the policy of any party to abandon principles for success at the polls, said: "The Democrats should take a high plane and not enter into any political barter." He closed his address with the following words, which are typical of Democratic feeling at that time: "Gentlemen, I am in favor of inscribing upon our banner these words, 'The white race is the ruling race of the Republic.' Let ours be the duty to maintain the honor and dignity of the Caucasian race. Let ours be the duty to maintain that this is a white man's country and ought to be a white man's government."<sup>1</sup>

Walker's eloquent speech found an enthusiastic response. The delegates refused to allow Colonel D. D. Johnson of Trier to proceed with his argument in behalf of the majority report. J. M. Jackson and John J. Davis, leaders of the respective factions, eyed each other askance, but neither ventured to prosecute the debate further. Popular feeling settled the fate of the Fisk amendment in the Democratic convention and enabled John J. Davis, the first champion of the white man's party in the State to gain a signal victory, for the vote stood: for the minority 324 against 242.

<sup>1</sup> *Wheeling Register*, June 10, 1870. *Wheeling Intelligencer*, June 10, 1870.  
*Kansas Republican*, June 2, 1870.



The resolutions finally adopted were, in part: (1) "That the Federal Government has no right to deny States of this Union the privilege of participation in its affairs, and that all distinction against the representation of States in Congress and all Federal interference in the purely domestic concerns of a State is unwarranted by the Federal Constitution and ought to cease."

(3) "That the Republican party, by voting to ratify the Fifteenth Amendment to the Constitution, has shamefully violated its pledge that the question of suffrage should be retained within the control of the people of the States. That in calling to power an alien and inferior race it has declared the white race incapable of self-government. In opposition to this monstrous doctrine, we invite the intelligent white men to unite with us in asserting the principle that the white race is the ruling race of the Republic.

(7) "That we favor the prompt abolition of every test-oath upon the statute books of the State; that we favor wiping out the injustice and disgrace incident to the disfranchisement of twenty-five thousand men of our own race while negroes exercise the right of suffrage without hindrance or condition. We demand a free ballot for white men and the immediate enactment of such legislation as will secure it."<sup>1</sup>

These resolutions are a part of the platform of the first "white man's party" in West Virginia. They are striking in their terse, candid, blunt way of speaking, and are of historical importance, because upon this platform the Democrats subsequently won at the polls. In the face of this issue the opposition became demoralized and suffered from increasing defections as the campaign advanced.

The Democrats strengthened their hold upon the people by offering a plain, undisguised platform and by disregarding the claims of all faction candidates seeking nominations for State offices. They were inconsistent with this platform, however, in nominating conservative men. John J. Jacob, who had not been identified with either faction, was nominated for Governor; J. M. Phelps, a recent Republican State Senator, was selected for Secretary of State. There were at least three Union soldiers on

<sup>1</sup> *Kanawha Republican*, June 18, 1870. *Wheeling Register*, June 20, 1870.

the ticket. The Democratic local conventions, which as a rule adopted conservative platforms and nominated liberal men, also augmented the popular following.

On June 22, 1870, the Republicans held their State convention.<sup>1</sup> The temporary chairman was General Lewis Ruffner,<sup>2</sup> a recently converted Democrat. During the deliberations of the committees, the convention listened to an address on human equality by Colonel T. B. Swan, an ex-Confederate, who had acted with the Republicans since the close of the war.

As in the Democratic State convention, everything was harmonious until the committee on resolutions made both a majority and a minority report. The majority report, which was finally adopted, contained, among others, the following clauses: "(3) That the Fifteenth Amendment to the Constitution of the United States, which forbids the exclusion of any class from an equal voice in the government by reason of accident of race or color, or the misfortune of previous oppression, accords with the honored principles of the Declaration of Independence and is alike essential to justice between men, to the consistency of the government, and to the harmonious relation of the races.

(5) That the Republican party of West Virginia fully endorses the action of its representatives in the last session of the Legislature in submitting the question of amending the Constitution to a vote of the people, and at the same time we recognize the right of each individual to think, speak, and vote thereon according to his judgment and the dictates of his own conscience.

(6) That, so long as the restrictions on suffrage remain in the Constitution, they are to be enforced equally with any other part of that instrument, firmly, fairly, and without prejudice to the rights of any citizen."<sup>3</sup>

<sup>1</sup> The proposed Liberal convention had not met at Point Pleasant, and it was rumored that the "Liberal" wing would meet on the 21st of June in Parkersburg. The meeting never materialized, however.

<sup>2</sup> Ruffner was only one of the many recent Democratic additions to the Republican ranks. Many of the minority party, provoked at the apparent indifference of their fellow partisans to all measures intended for the relief of the ex-Confederates, were captured by the Republican appeals for popular support.

<sup>3</sup> *Parkersburg State Journal*, June 23, 1870. *Parkersburg Gazette*, June 23, 1870.

The above resolutions present a remarkable contrast to the Democratic platform. The fifth paragraph is a semi-endorsement of the Flick amendment without naming it. The whole endorsement is, however, rendered a practical negative, because it does not express the party's desire on the question at issue and leaves the voter independent of any party policy. The sixth paragraph presents the real issue which the administrative party carried into the campaign.

The "Radicals" were not satisfied with a partial victory and presented the minority report, which proposed to substitute for the fifth resolution the following: "That we recognize as a solemn pledge the declaration of the Republican party made in national convention at Chicago,<sup>1</sup> and we favor the removal of the disabilities and restrictions upon the late rebels in the same measure as their spirit of loyalty will direct and as may be consistent with the safety of the loyal people, and recommend such legislation as may be necessary to fully carry it out."<sup>2</sup>

Mr. Newlin of Monroe County,<sup>3</sup> who spoke for the minority report, was opposed to a removal of disabilities. To him such action meant political death, coming as he did from that section of the State where the ex-Confederates were so much stronger than the Republicans. In defending the report, he claimed that if the Sturgiss substitute had received fair and free discussion in the last Legislature, it would have been adopted. He denounced the sweeping, indiscriminate restoration to power of those men who he claimed had no right to power. In this connection he spoke of Colonel Swan as one who was entitled to amnesty. He also argued that the party should follow the example of the Revolutionary fathers, who perpetually disfranchised some of the Tories.

<sup>1</sup>The plank of the platform of 1868 to which this refers is as follows: "The guaranty of Congress of equal suffrage to all loyal men at the South was demanded by every consideration of public safety, of gratitude and of justice, and must be maintained; while the question of suffrage in all the loyal States properly belongs to the people of those States." (McPherson's *History of Reconstruction*, p. 364.)

<sup>2</sup>This substitute resolution was signed by Messrs. R. S. Northcott, George C. Sturgiss, Cyrus Newlin, and J. W. Heavener. (*Parkersburg State Journal*, June 23, 1870, and *Parkersburg Gazette*, same date.)

<sup>3</sup>Herford, the earnest supporter of the Flick amendment in the Democratic State convention, was from the same county.

The vote on the minority report stood: yeas 260, nays 412.<sup>1</sup>

The unequivocal, vigorous principles enunciated by the Democrats rallied to their standard those who had a disposition to take part in a political fight. They had the undivided support of the radical element in the party and the platform was not especially objectionable to the liberal Democrats, while the vague, compromising, indefinite Republican platform aroused no interest and did not have the individual support of any element. In many cases, however, both Democrats and Republicans in their county conventions repudiated in part the declarations of principles adopted by their State conventions. The local papers present a variety of county resolutions. In Monroe and other eastern counties, where but a few citizens exercised political privileges, the Republican county conventions denounced the Flick amendment. The Democratic county conventions, in the same counties, endorsed it in strong terms. The most enterprising western counties endorsed it.

#### X. A CHANGE IN POLITICAL ISSUES.

As the political canvass waxed warmer, the inclination manifested in the State conventions of each party to disregard the amendment became more apparent.

The Enforcement Act passed by Congress prevented all attempts to restrain the exercise of franchise by the negroes and prohibited interference with the counting of their votes, and was held by the Democrats of the State not to apply to negroes alone, but to all citizens of the United States.<sup>2</sup> The District Judge, J. J. Jackson, who had cognizance, under the act, of the cases arising in West Virginia, was a Democrat, and the Circuit Judge, Bond, to whom an appeal could be immediately had from decisions in Jackson's court, was a Republican. It became known that the circuit and district judges held widely different opinions upon the meaning of the Enforcement Act, and an effort to institute judicial proceedings, which would call for an expression of their

<sup>1</sup> For an account of the proceedings of the convention and the result, see *Wheeling Intelligencer*, June 23, 1870.

<sup>2</sup> As theoretically it did.

respective opinions, was resolved upon by each political party. In the unusual interest in procuring the two opinions the constitutional amendment was almost entirely overlooked.

The administrative machinery was again used to induce the indifferent Republicans to make a last attack with the old proscriptive weapons. In the Kanawha valley the united and increased Democratic activity and aggressiveness was attributed to secret organizations denominated Ku Klux.<sup>1</sup>

Shortly after the meeting of the two State conventions, the Democrats had placed the following interpretation upon the Enforcement Act: "The provisions of the bill to enforce the Fifteenth Amendment clearly admit to the ballot *every citizen* qualified under the Fourteenth and Fifteenth Amendments of the Constitution without regard to race, color or previous condition, who conform to the requirements of the law. . . . It will be perceived that the rights to register and vote are reserved to citizens regardless of any state constitution, or laws to the contrary. . . . We understand that those who cannot take the test-oath and comply with the conditions furnished by the registration acts cannot under the Congressional Act demand registration."<sup>2</sup> Under this interpretation, it was held that anyone who would offer to take the test-oath could not be refused registration. This was opposed to the Republican theory that a willingness to take the oath did not suffice and that the applicant might be required to "make it appear" that he had not given voluntary aid to the rebellion since June 1, 1861.

To encourage those who were disfranchised to carry out its version, the Democratic State Executive Committee issued a paper, "Documents to the People," which contained the following: "Any man who will go before a township registrar on a day designated by that officer as a day upon which he will register voters, and offers to take and subscribe to the test-oath, is entitled to be registered. The Fifteenth Amendment practically strikes 'white' from the Constitution, and the Fourteenth Amendment makes that clause of the State Constitution which says that certain persons shall not be citizens a dead letter."<sup>3</sup>

<sup>1</sup> *Wheeling Intelligencer*, June 20 and 21, 1870.

<sup>2</sup> *Wheeling Register*, June, 1870.

<sup>3</sup> *Wheeling Intelligencer*, July 21, 1870.



For interpretation of the Enforcement Act, the Republicans appealed to Caldwell, Attorney General of the State, who gave the following opinion: "Each applicant for registration must possess all the qualifications required by our Constitution and laws, except that he shall not be refused registration on account of race, color, or previous condition of servitude. It matters not what oath an applicant offers to take, he shall not be registered unless the registrar and the registration board are satisfied that he is a qualified voter."<sup>1</sup>

Not satisfied with the "Documents to the People" and the Attorney General's opinion, the political parties carried their conflicts to the United States courts,<sup>2</sup> which became the theater on whose stage were reproduced some of the scenes which had frequently graced (or disgraced) the meetings of county registration boards. An effort was made to degrade these courts into political machines, by one party desiring to evade the election laws of the State and by a second party wishing to maintain local power by national aid.

When the registration days of August, 1870, came, persons who claimed that they had been illegally proscribed came forward to register and offered to take the test-oath, but many were unable to "make it appear" that they were entitled to vote, and an appeal was at once made to Judge J. J. Jackson of the United States District Court. The Judge, acting under a provision of the Enforcement Act, appointed a number of Federal election commissioners, who investigated, arrested and imprisoned those who were charged with a partial execution of the law.<sup>3</sup>

In August, 1870, when Jackson's court met at Clarksburg, there were a number of witnesses present to indict registrars who

<sup>1</sup> *Wheeling Intelligencer*, July 26, 1870.

<sup>2</sup> For the first time since 1867 the proscribed were able to appeal to a judicial tribunal, the United States District Court. From 1867 to the passage of the Enforcement Act of 1870 the county boards of registration had been the courts of last appeal.

<sup>3</sup> Milton Frum of Braxton, Thomas F. Lanham and two others from Marion, two from Kanawha, two from Barbour, and many others were arrested. The *Wheeling Intelligencer* of August 22, 1870, and the *Parkersburg Gazette* for August 20, 1870, tell of many arrests. In Monroe and other counties the Federal commissioners attended the meetings of the registration boards and made some arrests of those officers.

were then on bail. There was, however, much difficulty experienced in getting a jury. It appears that the marshal, a Republican, had, in summoning the grand jury, manifested a peculiar preference for Republican jurors. Jackson ordered the whole jury discharged and others summoned. Again the marshal showed the same fondness for jurors from his own political party, and excused his acts by saying that he naturally selected men from among those whom he knew best, and that they happened in this case to be Republicans.<sup>1</sup>

As many expected, no indictments could be returned, but Jackson's charge to the jury on this occasion was regarded by the Democrats as a valuable campaign document. The following is a part of the charge: "In the view that I take of the Act (Enfranchisement Act), I think that no discrimination has been made in favor of any class. . . . It is the duty of the Court, in giving construction to a public statute, to ascertain the meaning and intention of its framers from the words employed and the matter to which it relates. Testing the Act by these principles, it is evident that the framers had primarily in mind: first, to promote the public good by preserving the rights of citizens; second, to prevent evil-disposed persons from unlawfully interfering or intimidating the officers in discharge of their duty. That the Act was passed for more than one purpose is evident from the title itself, which is "To Enforce the Rights of Citizens to Vote" as well as "Other Purposes." Here the pertinent inquiry for us to ascertain is, who are entitled under the Act to exercise the right of suffrage. . . . In answer, I assume that all persons born or naturalized in the United States and subject to its jurisdiction are citizens of the United States and of the States wherein they reside, whether white or colored. The primary object of the first section seems to destroy all distinction between white and colored citizens so far as the ballot is concerned, by placing them on the same equality in the right of suffrage. It follows, therefore, that *all citizens*, who are entitled to vote under the Constitutions and laws of the States, are protected in the exercise of that right." <sup>2</sup>

<sup>1</sup> Wheeling and Parkersburg papers, about September 1, 1870.

<sup>2</sup> Parkersburg Gazette, September 29, 1870.

The failure to return indictments at the Clarksburg term of court did not deter the Democrats from using Federal commissioners to procure the registration of voters. The commissioners became so annoying and detrimental to the Republican cause that they resolved upon a test case. An opportunity came when Mr. J. H. McIlvee was arrested for refusing registration to a Mr. W. S. Alkire. McIlvee refused bail and was committed to jail. Thereupon an appeal was made to Judge Bond of the United States Circuit Court for a writ of *habeas corpus*, which was granted.

Judge Bond's opinion in releasing the prisoner became a valuable Republican campaign document. The opinion was: "That it was not the intention of Congress to abolish the laws of the several States, which prescribed the qualifications for voters, or even to alter them, except so far as they were founded upon the distinction of race, color, or previous condition of servitude, is sufficiently evident from the words of the first section of the statute, which declares it to relate to 'all citizens of the United States who are or shall be otherwise qualified to vote.' It can not be doubted that the meaning of this language is that these citizens shall be qualified to vote by the laws of the State or Territory in which they offer to poll.

That these persons are thus 'otherwise qualified to vote' without distinction of race, color, or previous condition is the purpose and intent of the statute.

It was the duty of the petitioner to inquire into the qualifications of the applicant for registration under the laws of West Virginia and, if he found him otherwise qualified than as to race, color, or previous condition of servitude, he should have registered him."<sup>1</sup>

The minority party in West Virginia, encouraged by its theoretical interpretation of the Congressional legislation to meet the conditions in the Southern States, assumed more and more the aggressive in State politics, and for the first time in its history it took an active interest in registration. The following is a type of the headlines found in the leading papers:

<sup>1</sup> *Wheeling Intelligencer*, September 3, 1870.

**"REGISTER!***A Registrar Held to Answer.**Bound over to U. S. Courts.***WHITE MEN HAVE SOME RIGHTS."**<sup>1</sup>

The Democrats everywhere pushed their claims to registration with threats of arrest and imprisonment. In Monroe and other counties the United States troops were present on behalf of the State, and Federal election commissioners on behalf of the proscribed.

In the Kanawha Valley, Col. Sperry, a Federal commissioner, terrorized offending registrars and politicians. He was feared even more than United States troops or Dr. J. F. Caldwell, who had arbitrarily disfranchised practically all the legal voters in Greenbrier County.

In this connection the Governor's message to the Legislature of 1871 is interesting. In speaking of the recent election it says: "Considerable difficulty was experienced during the last year in securing the proper execution of so much of Chapter III. of the Code as provided for the registration of the State. In most counties, I have reason to believe the law was fairly executed, in a few rigidly, while in others it was disregarded to such an extent that almost the entire male population of required age, who desired to do so, registered without much regard to other qualifications. In many counties the law was made inoperative in consequence of the arrest and imprisonment by United States officers of registrars and members of registration boards."<sup>2</sup>

The arrests made by Federal commissioners brought to light many trivial charges, which were and had been advanced to keep men from voting. W. F. Lanham of Marion County had refused to register W. O. Davis, because Davis had once seen a Confederate when war was in progress and concealed his location. In the Frum-Matheney case in Braxton County, the only evidence against Matheney, an old soldier of the Mexican war, was that he had previously taken an oath that he had voted for secession. Many persons were refused registration on similar grounds, notwithstanding the fact that some of those who had

<sup>1</sup> Parkersburg Gazette, August 21, 1870.

<sup>2</sup> House Journal of State Legislature, 1871.

supported the constitutional amendment in the Legislatures of 1865 and 1866 had also voted for secession, and notwithstanding the fact that the date, June 1, 1861, had been placed in the amendment for the express purpose of not disfranchising those who ignorantly or thoughtlessly voted for secession.

When a number of registrars had been arrested, the Radical papers, in order to give courage and backbone to those who continued the work, declared that Judge Jackson's decisions would be reversed in a higher court, meaning Judge Bond's court,<sup>1</sup> and the Democratic policy of arrests and imprisonment was met by threatened damage suits.

The presence of United States troops, the threatened damage suits, the possibility of Judge Bond's reversing Judge Jackson's decisions, combined, were not enough to thwart Democratic activity in the canvass of 1870. There was one thing sure, and that was that Judge Bond could not reverse Jackson before a case had been instituted in the lower court, and no registrar was ready to make a sacrifice of himself. Democratic union and activity increased and brought as its more tangible result a large increase in the registrations of those hitherto arbitrarily refused suffrage.

To give some idea of the number of the disfranchised and of the counties in which registrations were increased in 1870, a table is given below. It shows the State Auditor's report of the whole number of capitations, males twenty-one years of age or more, in 1868, the number of persons not voting at the presidential election of that year, and the official count for governor in 1870. From these figures it appears that, in the gubernatorial contest of 1870 a very large Democratic vote came from these counties where many had previously been denied registration. There are exceptions to this rule, however, as in Greenbrier, Logan, Hampshire, Monroe, and Taylor counties, where registration was strictly guarded by the State with the aid of United States troops. In Barbour, Calhoun, Jefferson, Upshur, Wayne, Mercer, and many other counties, where a large number had been

<sup>1</sup>The *Wheeling Intelligencer* of September 7, 1870, has the following word of encouragement: "Appeals are made directly from Judge Jackson's court to Judge Bond's court."



proscribed, and where the State exercised but little power to have the registration laws strictly complied with, there was a very large increase in the vote. It was almost impossible to discipline the whole State, especially when the disposition to vote, registration or no registration, was so general.

The following is the Auditor's report:

Counties.	Capitations. 1868.	Votes for President. 1868.	Not Voting. 1868.	Vote for Stevenson. Rep. 1870.	Vote for Jacob. Dem. 1870.	Total. 1870.
Barbour .....	1,870	967	903	520	648	1,178
Berkeley .....	2,706	1,503	1,203	940	901	1,841
Boone .....	794	228	566	143	273	416
Braxton .....	1,192	321	871	286	257	543
Brooke .....	1,101	994	107	434	517	955
Cabell .....	1,286	399	887	250	406	656
Calhoun .....	546	242	304	120	206	416
Clay .....	364	123	241	108	114	222
Doddridge ...	1,212	1,033	179	582	568	1,150
Fayette .....	1,191	496	695	286	333	619
Gilmer .....	778	373	405	171	378	549
Grant .....	786	402	384	336	135	471
Greenbrier ...	2,036	352	1,684	320	161	481
Hampshire ...	1,387	540	847	89	484	573
Hancock .....	949	867	82	430	366	796
Hardy .....	994	294	700	94	341	435
Harrison .....	3,086	2,508	578	1,402	1,424	2,826
Jackson .....	1,799	1,148	651	708	655	1,363
Jefferson ....	1,887	323	1,564	498	548	1,048
Kanawha ....	3,664	2,228	1,436	1,542	1,508	3,050
Lewis .....	1,703	1,284	419	586	733	1,319
Lincoln .....	1,030	200	830	232	304	536
Logan .....	888	125	763	70	220	290
McDowell ...	299	119	180	49	124	173
Marion .....	2,678	2,055	623	1,157	1,118	2,275
Marshall ....	2,983	2,637	346	1,166	1,152	2,318
Mason .....	3,162	2,293	869	1,041	1,322	2,363
Mercer .....	1,272	211	1,061	269	507	776
Mineral .....	1,292	642	650	397	427	824
Monongalia ..	2,597	2,463	134	1,262	891	2,153
Monroe .....	1,837	326	1,511	303	454	757
Morgan .....	885	420	465	313	175	483
Nicholas .....	917	154	763	214	257	471
Ohio .....	5,651	4,826	825	2,101	2,568	4,669
Pendleton ...	1,195	414	781	236	212	448
Pleasants ....	713	591	122	276	304	580
Pocahontas ..	787	235	552	118	51	169
Preston .....	2,828	2,486	342	1,270	621	1,891

Counties.	Capitations. 1866.	Vote for President. 1868.	Not Voting 1868.	Vote for Stevenson. Rep. 1870.	Vote for Jacob. Dem. 1870.	Total. 1870.
Putnam .....	1,370	726	644	443	431	874
Raleigh .....	687	307	380	235	248	483
Randolph ....	1,024	396	628	192	320	512
Ritchie .....	1,672	1,155	517	476	289	765
Roane .....	1,260	612	648	429	436	865
Taylor .....	1,700	1,438	262	718	807	1,535
Tucker .....	335	195	140	72	163	235
Tyler .....	1,535	1,346	189	653	535	1,188
Upshur .....	1,567	752	815	785	347	1,132
Wayne .....	1,664	280	1,384	266	541	807
Webster .....	323	91	232	27	134	161
Wetzel .....	1,623	1,286	337	552	840	1,192
Wirt .....	921	714	207	380	452	832
Wood .....	3,803	2,876	927	1,392	1,552	2,944
Wyoming ....	502	254	248	192	224	418
Totals .....	81,121	49,344	31,777	26,940	29,090	56,030

The above figures furnish only a clew to the number who have been disfranchised in the State. The total of the third column, 31,777, does not represent the number legally and arbitrarily kept from the polls. There were many of each party who stayed away from the polls: (1) Republicans, who opposed further proscription and who refused to be a party to it; (2) Democrats, who regarded their votes as useless. The Republican newspapers estimated the proscribed at from fifteen to twenty thousand; the Democratic papers from twenty to twenty-five thousand. The exact number of the disfranchised cannot be ascertained, but the opinions of conservative men and an average of the two extremes given above justify the estimate of about twenty thousand.

By reference to the second and third columns, it will be seen that there were twenty-six of the fifty-three counties in the State in which the right of suffrage was exercised by less than one-half of those who possessed the age qualification. In Greenbrier, Monroe and Jefferson counties, the number of those who voted was not more than 20 per cent. of the male population possessing the age qualification. These counties were also those which had given the administration the most trouble.

A comparison of the table, which shows the number of negroes, twenty-one years of age or more, in each county of the State in

1868, with the table just given, does not show, except in a few cases, that the number of disfranchised was greatest in those counties which had the most negro votes. In Cabell and Braxton counties, where there were very few negroes, more than 60 per cent. of the voting population was disfranchised. The struggle in West Virginia was not to give or take the ballot from the negro. Negro suffrage entered into the fight after the plans of enfranchisement had been initiated and only gave spice to the canvass of 1870. It then became an issue because of the ratification of the Fifteenth Amendment by the required number of States to make it a part of the organic law, and because of the subsequent enactment of the Enforcement Act. The Democrats appealed to the popular prejudice against the negro and won the campaign of 1870. They took no steps, however, when in power, to reverse the State's action in ratifying the Fifteenth Amendment. They knew that it would be folly.

The returns showed that the Democrats had a working majority in each House of the Legislature. The above table reveals a Democratic majority of over two thousand for Governor and an increase of nearly seven thousand in the total vote as compared with the vote for President in 1868. The change can not be explained by saying that Republicans voted the Democratic ticket or that it was a natural increase in the voting population. The tendency of the Republicans to vote with the Democrats ceased when the arrest of registrars began, and statistics do not warrant the conclusion that there could have been so large a natural increase in the voting population. It is true that the Republicans had added to their voting force nearly three thousand colored voters, most of whom did not fail to exercise the privilege. It is also true that the total vote of the Republican candidate for Governor in 1870 was just five less than in 1868. The change is certainly to be attributed to the increased registrations and to the indifference of Liberal Republicans in those counties where party lines had not been closely drawn.

The table shows a remarkable and significant decrease of the Republican vote in their strongholds. The loss in Monongalia was 310, in Preston 595, in Ritchie 595.

The defeat was the result of party division. A large number of the Republicans was sincerely desirous of speedy enfranchisement and a large number was not. While the party as a whole was committed to a "let up" policy, there was a lack of unanimity. The bitterness of political leaders against a removal of proscriptive measures neutralized to a great extent the position taken in the Legislature and in the State convention. Besides, the Flick amendment had been proposed one year too late. It should have been proposed at the session of the Legislature of 1869 when the Fifteenth Amendment was ratified. The disposition to continue disabilities thereafter brought negro enfranchisement into the canvass, thereby raising the Democratic party into a formidable antagonist. The neglect of the Governor to publish the Flick amendment in the county newspapers for three months preceding election, a legal requirement, decreased confidence in the intentions of the party in power and resulted in the defection of those Liberals whose support might have been otherwise secured.<sup>1</sup>

#### XI. FINAL ADOPTION OF THE FLICK AMENDMENT.

The Democrats, surprised at their own success, began to cast about for a working policy to supplant their fighting policy. Some of the party newspapers had the following headline: "*What Shall We Do?*"<sup>2</sup> There was but one issue on which all members of the party were generally agreed; there must be a removal of all disfranchising laws. A part of the party advocated the Flick amendment as the best and shortest way to accomplish that object. Others thought that a State constitutional convention should be called and that both fundamental and statute laws should be immediately freed of every appearance of war

<sup>1</sup> The following is an explanation of Republican defeat: "We think we can see in the papers of the east a few of the malign influences of certain men who have made Republican rule in the Eastern Panhandle of West Virginia odious and intolerable. What else caused the unprecedented changes in Berkeley, Jefferson, and Morgan counties, where so many people were disfranchised and where, as was publicly proclaimed in this city three years ago by a member of the Legislature from that part of the State, the number could and would be increased" (*Wheeling Intelligencer*, Rep., November 3, 1870.)

<sup>2</sup> *Parkersburg Gazette*, November 10, 1870.

legislation. The majority of the party finally settled down to a conservative policy regarding the repeal of the existing laws.

Governor Stevenson in his annual message, recommending the passage of the Flick amendment and its immediate submission to the people for ratification or rejection, says: "With few exceptions those who were in the army of the Confederacy are law-abiding citizens. This state of facts seems to demand favorable and immediate action upon the proposed amendment. Another reason for speedy action is found in the fact that the more dishonest and unscrupulous of those who aided the Rebellion, are already, in consequence of gross perversion of the law, exercising the right to vote, while the more candid and conscientious decline to do so until the privilege is conferred upon them in a legal way. In this, the persons composing the better class have shown a principle which we should not fail to recognize, and certainly no stronger reason than their conduct can be urged to show that if political rights be restored to them, they will not be used to the detriment of the State or the perversion of the laws."

It does seem that an admission like the above could have been safely made a few years before 1870. The newspaper accounts of the "Rebel" robberies and outrages almost invariably attribute the acts to bands of ruffians, and not to the citizens who had returned from the Confederate armies to make their homes in the State. Certainly too many honest men had been made to suffer for the acts of "the more dishonest and unscrupulous."

Immediately after the organization of the Democratic Legislature, bills were introduced in each house to induce it to concur in the action of the previous Legislature in passing the Flick amendment. In the Senate the bill was passed unanimously and without delay. Lewis Baker, President of the Senate, who had, as editor of the *Wheeling Register*, denounced the measure as a Republican scheme to induce Democrats to swallow negro suffrage, now made a speech favoring it.<sup>1</sup>

In the House they were uncompromisingly divided. The minority wing of the Democratic majority was opposed to the

<sup>1</sup>The *Intelligencer*, in commenting upon their action, says: "Baker swallowed himself and Walker of the *Charleston Courier* no longer stands erect and looks at the stars." (*Wheeling Intelligencer*, January 20, 1871.)



Flick amendment because it did not contain the word "white." They favored a constitutional convention instead. They were led by Charles Lewis, of Harrison County (the spokesman of the John J. Davis idea), and by E. Willis Wilson of Jefferson, and resorted to tactics of delay and to attacks upon negro suffrage.

The conservative wing, which was sure of the Republican support, was led by J. M. Jackson, Henry Brannon, and J. H. Ferguson. Though it did not oppose the submission to the people of the question of calling a constitutional convention, it favored, first of all, concurrence in the acts of the last legislature on the Flick amendment. It was argued that the amendment should be passed and submitted to the people for ratification or rejection, so that, in case the amendment was ratified, the whole people could have an opportunity to vote on calling a State constitutional convention. It was contended that a full expression in making a new constitution would obviate one of the chief objections to the Constitution which had been made by only a part of the people. It was also argued that the people, on account of the great expense of a State constitutional convention, might vote the proposition down, thus defeating the whole object of immediate enfranchisement.

None of these arguments appealed to the radical Democrats, and, without the unanimous Republican support, the conservative Democrats of the House would have experienced great difficulty in securing a second concurrence in the proposed amendment. But by this support the bill was again carried by 38 yeas against 17 nays, and a bill was subsequently passed to submit the amendment for ratification or rejection by the people on the twenty-seventh of the following April.

The Republicans were very anxious to make it appear that the now popular amendment was strictly a measure of their party, and the action of a few uncompromising Democrats gave a semblance of truth to their claim. The fact that not one of their party cast a vote against the final passage of the amendment counteracted the effect created one year before by a very powerful faction which had opposed any reasonable relief to ex-Confederates. An effort was also made by the party to shift the responsibility of negro suffrage, which had been one of the

chief causes of their defeat. "Where is the good old white man's party?" asked the *Wheeling Intelligencer*, and "Who now can walk erect and look upon the stars?"<sup>1</sup>

The Republicans are to be congratulated, however, for the loyal support which they gave the amendment on its final passage. The "Radicals" of that party, after overwhelming defeat, saw that it was no longer political wisdom to continue proscriptive legislation. They did not even suggest again their plan of distributing suffrage by a two-thirds vote of each House, though that measure probably had as good chance of passage as it had had in the previous Legislature.

The *Wheeling Intelligencer*, commenting on the political situation, said: "If the Republican journals and leaders, who can now hardly find words strong enough to express their support of the Flick amendment, could only have seen two years ago the virtues in this policy, which they now see, and had joined with the same unanimity, cordiality, and zeal they display in behalf of that policy now, political affairs in West Virginia might have been very different at present."<sup>2</sup>

The people were not very enthusiastic in the election for ratification or rejection of the Flick amendment. There were features about it peculiarly displeasing to a very large number of each party. Many Democrats hesitated to concede negro suffrage and some Republicans were as reluctant to concede ex-Confederate suffrage. Many prominent politicians did not go to the polls, and a large number of those who did go did so from a mere sense of duty.

The vote of the counties according to the Auditor's report was as follows:

Counties.	For ratification.	Against ratification.	Counties.	For ratification.	Against ratification.
Barbour .....	483	220	Clay .....	127	3
Berkeley .....	975	28	Doddridge ....	218	231
Boone .....	209	17	Fayette .....	316	18
Braxton .....	524	3	Gilmer .... ..	303	2
Brooke .....	320	38	Grant .....	304	329
Cabell .....	431	9	Greenbrier ...	1,044	108
Calhoun .....	266	10	Hampshire ...	521	61

<sup>1</sup> January 30, 1871.

<sup>2</sup> March 3, 1871.

Counties.	For ratification.	Against ratification.	Counties.	For ratification.	Against ratification.
Hancock .....	181	77	Pocahontas ...	349	57
Hardy .....	58	336	Preston .....	863	38
Harrison .....	485	709	Putnam .....	380	48
Jackson .....	570	144	Raleigh .....	166	59
Jefferson .....	438	215	Randolph ....	380	30
Kanawha .....	1,164	24	Ritchie .....	626	98
Lewis .....	913	79	Roane .....	595	33
Lincoln .....	559	15	Summers .....	255	10
Logan .....	No Returns.		Taylor .....	364	349
Marion .....	1,114	177	Tucker .....	123	9
Marshall .....	385	587	Tyler .....	330	160
Mason .....	702	281	Upshur .....	327	318
Mercer .....	313	3	Wayne .....	608	1
Mineral .....	248	35	Webster .....	124	0
Monongalia ...	756	186	Wetzel .....	386	94
Monroe .....	618	101	Wirt .....	381	13
Morgan .....	189	79	Wood .....	1,494	167
McDowell ....	No Returns.		Wyoming ....	110	8
Nicholas .....	362	26			
Ohio .....	434	368	Totals .....	23,546	6,323
Pendleton ....	324	161			
Pleasants ....	211	73	Majority .....		17,223

The above figures, when compared with those of 1870 on the vote for Governor, reveal the fact that Greenbrier County in this poll cast three times as many votes as were cast in that county six months prior. Other counties show almost the same increases, from which it appears that many disfranchised persons voted for the constitutional amendment, which was to legalize their right to vote.

The counties giving majorities for or a large vote against ratification are found in a belt extending from the Virginia line almost to the Ohio river, including the counties of Hardy, Grant, Barbour, Harrison, Taylor, Upshur, and Doddridge. This belt had come under the influence of that stronghold of opposition to negro suffrage, Clarksburg. There the race line was more closely drawn than in any other county, except Jefferson, and the negro question resembled that of the Southern States more nearly than in any other locality in the whole State.

Early in the summer of 1871, the Governor announced the result of the vote and that the Constitution was amended, and the closing act in the long struggle for ex-Confederate enfranchisement was thus ended.

From the close of the war there had been a number of Republicans in the State who were opposed to all proscriptive legislation; and the number had constantly increased. The opposition of the "Radicals," however, wrested from the "Liberal" Republicans the credit of breaking the chains which a period of passion and misunderstanding had forged. On the other hand, the lack of party unanimity deprived the Democrats of the credit, and allowed the conservatives of both parties justly to claim the honor of restoring suffrage to their fellow citizens.

In the work of re-enfranchisement, West Virginia occupies a peculiar place. She accomplished through two parties what in other States has been accomplished by but one party, that is, a complete removal of suffrage disabilities imposed on account of participation in the secession movement against the United States. This work, instituted by one party, was carried to completion by the other, and West Virginia, true to the tradition of all mountainous countries for slowness to adopt reforms, closed the re-enfranchisement struggle in the United States.

CHARLES H. AMBLER.

West Virginia University.

## FEDERAL ACTIVITY IN THE INTEREST OF THE PUBLIC HEALTH.

THE protection of society from the ravages of disease cannot be left entirely to voluntary combination, but must frequently call into play the activities of the state.<sup>1</sup> In the United States the care of this interest was formerly left almost entirely with the individual commonwealths, it being recognized as a part of their general police power.<sup>2</sup> Recent years, however, have witnessed an extraordinary expansion of the activities of the national government in this direction and the future is likely to see an even wider extension of such activities.

The constitutional basis for the larger part of the Federal legislation which has been enacted in the interest of the public health is, of course, the commerce clause. Thus it is in pursuance of this authority that the national quarantine system, both interstate and maritime, has been created, that adulterated food legislation has been enacted, and that national supervision of establishments for the manufacture of "renovated" butter and vaccines has been provided. But in addition to this class of activities, which are designed mainly to prevent the introduction and spread of contagious diseases and which are, perhaps, all that a strict interpretation of the commerce clause would justify, Congress has lent the direct aid of the national government in various other ways which have little or no relation to commerce. Thus it has time and again provided free vaccine for vaccination purposes; it created a national board of health primarily for the study and investigation of contagious diseases; it maintains bureaus of scientific research for the study of hygienic problems, together with laboratories for the chemical analysis of food stuffs and drugs, and provides for the printing and distribution of sanitary reports and bulletins for the information of the public. In the following pages an effort will be made to describe in detail and under appropriate heads these various activities.

<sup>1</sup> Freund: *Police Power*, p. 109.

<sup>2</sup> *Railroad Co. v. Husen*, 5 Otto, pp. 471-472; *Railroad Co. v. La. Board of Health*, 118 U. S., p. 455; *Passenger Cases*, 7 How., p. 130.



## I.

## NATIONAL QUARANTINE.

Prior to 1890, when the first Federal interstate quarantine law was passed, the State governments were left entirely free to control the spread of contagious diseases by quarantine regulations or other methods, irrespective of their effect upon interstate traffic and intercourse. But this concession to local sentiment was only by sufferance of Congress, for it was never doubted that the power to provide a general system of quarantine for all the States resided in Congress by virtue of its authority over interstate commerce.<sup>1</sup> Likewise, until the enactment of the Federal maritime quarantine law of 1893, the right and duty of preventing the introduction of contagious diseases from abroad remained entirely with the individual States into whose ports infected vessels from foreign countries might enter.

Nevertheless, beginning soon after the constitution went into effect, Congress from time to time discussed the expediency of providing a system of national quarantine, and in fact enacted several laws on the subject, but they were merely in aid of the local systems and in no way attempted to supersede them. As far back as 1796 Congress, in consequence of a widespread epidemic of yellow fever that year, passed an act authorizing the President of the United States to direct the revenue officers and the officers commanding forts and revenue cutters to aid in the execution of quarantine and also to aid in the execution of the health laws of the States in such manner as might seem to him to be necessary.<sup>2</sup> The inadequacy of the State quarantine regulations in checking the spread of yellow fever had developed considerable popular sentiment in favor of a national system, and the above-mentioned law as originally introduced contained a section conferring upon the President the power to declare and enforce quarantine as regards vessels arriving from abroad. But the proposition to clothe the President with this authority was strongly opposed by the representatives, especially of the seaboard States, on the ground that it was an encroachment upon

<sup>1</sup> *Morgan v. Louisiana*, 118 U. S. Reports; *Cooley: Constitutional Limitations*, 6th ed., p. 586.

<sup>2</sup> 1 Stat. at Large, 474.

the rights of the States in the exercise of their police power. It was also contended that the power in question was legislative and could not be vested in the President, that if conferred it would probably be exercised through the customs collectors whose interests in such cases would be in opposition to those of the people and, which now seems plausible, on account of the poor facilities for communication it would be impossible for the President to act with the promptness required in such cases. Feeling, therefore, that each State could best make and enforce its own quarantine regulations, the House rejected the proposition by a vote of forty-six to twenty-three.<sup>1</sup> As finally passed, the bill gave the President no power, except to aid the States in the execution of their own quarantine laws, if they had any laws to be executed, and would accept the proffered assistance. The law was in force but three years, being repealed by the Act of February 25, 1799, which in the main is still on the Statute books of the United States. By the latter act Congress continued the policy of aiding the States in the execution of their maritime quarantine laws and the debates do not indicate the existence at that time of any very strong sentiment in favor of superseding them by a national law. Nevertheless, the act, while requiring the customs officials to "duly observe" the health laws of the States so far as they related to the quarantine of vessels arriving in their ports from abroad, empowered the Secretary of the Treasury to prescribe "conditions and restrictions" under which the cargoes of infected vessels should be unladen at other places than the ports of entry. But this was mainly to secure the enforcement of the revenue laws and was not in the interest of the public health. The law also provided for the erection of suitable warehouses for the storage of the merchandise of vessels held under quarantine "pursuant to the health laws of any State"; for the removal of the public archives and offices from the seat of government in the event of a threatened epidemic; and authorized the Secretary of the Treasury "whenever conformity to such quarantines and health laws (those of the States) requires it" to prolong the terms limited for the entry of the same and to vary or dispense with

<sup>1</sup> *Annals of the Fourth Congress*, pp. 1228, 1347-59, 1360.

any other regulations applicable to such entries.<sup>1</sup> It will be noticed that this act did not in any essential particular supersede any State law. On the other hand, every power conferred upon a Federal officer thereby, except that relating to the unloading of infected cargoes, was to be exercised in aid of, or in conformity with, the State laws then existing. It is an error, therefore, to say, as has been done, that the act "placed maritime quarantine under the Secretary of the Treasury."<sup>2</sup>

Aside from an act of February 27, 1813, to encourage vaccination by supplying free of cost vaccine matter to all citizens upon application, including free transportation through the mails;<sup>3</sup> an act of 1832, to extend the benefits of vaccination to the Indian tribes,<sup>4</sup> and an act of the same year (passed in consequence of the great cholera epidemic and limited to eight months duration) authorizing the Secretary of the Treasury to aid the States in the enforcement of their quarantine laws;<sup>5</sup> no further important sanitary legislation was enacted by Congress until after the Civil War.

By a joint resolution of May 26, 1866, Congress for the first time made an appropriation of money from the national treasury for the purpose of aiding the States in the enforcement of their quarantine regulations, this action being called forth by the threatened cholera epidemic of that year. The Secretary of the Treasury was also authorized to make and enforce such orders and regulations as in his judgment might be deemed necessary and proper to aid the State and municipal authorities to guard against the introduction of cholera, but he was given no power to add to, modify, or supersede any State regulation.<sup>6</sup> Meantime the annually recurring epidemics of yellow fever in the southern States, due mainly to inefficient State quarantine measures against the introduction of the disease from Cuba and Mexico, had strengthened the sentiment in favor of a national

<sup>1</sup> I Stat. at Large, p. 619; Rev. Stats. secs. 4792 et seq.; *Annals of the Fifth Congress*, vol. iii, pp. 3802, 3804.

<sup>2</sup> *Journal of the American Medical Association*, July 30, 1904.

<sup>3</sup> II Stat. at Large, p. 806. Repealed in 1822.

<sup>4</sup> IV Stat. at Large, p. 514.

<sup>5</sup> IV Stat. at Large, p. 577.

<sup>6</sup> XIV Stat. at Large, p. 357.

quarantine law. With a view to obtaining data for the information of Congress, the House and Senate in June, 1870, passed a joint resolution providing for the detail of a medical officer from the army to visit each town and port on the Atlantic and Gulf coasts to make inquiries concerning local sentiment and conditions and report, whether, in his opinion, any national system of quarantine could be devised which would be effective in preventing the introduction of yellow fever, and yet not interfere with the rights of the States. Dr. Harvey E. Brown was detailed for this duty, and after making the investigation required recommended the substitution of a national for a local system. At the following session of Congress a bill for this purpose passed the House of Representatives, but failed in the Senate, chiefly on account of the opposition of Senator Thurman, who maintained that no effective national quarantine could be uniform in its operation without interfering with similar laws and regulations of the States.<sup>1</sup> The yellow fever epidemics of 1873 and 1876 still further increased the sentiment in favor of national regulation and the dissatisfaction with the local system. The agitation resulted in the enactment of the law of April 29, 1878, which is sometimes, but erroneously, said to have created a national quarantine system. The execution of the act was placed under the supervision of the Surgeon-General of the Marine Hospital Service, and he was authorized to frame the needful rules and regulations, but it was clearly stated that all vessels from infected ports were to be subject to State quarantine laws and regulations and that no order issued by the Surgeon-General should interfere in any manner with such laws or regulations as then existing, or which might thereafter be adopted. Consuls of the United States residing at infected ports were required to give the Surgeon-General immediate information of the sailing of vessels and to make weekly reports of the sanitary condition of those ports.<sup>2</sup> No appropriation was made for carrying out the act, and in other respects it was a hollow makeshift as a national quarantine law. Its enactment was immediately followed by the greatest

<sup>1</sup> Report National Board of Health, 1883, p. 21.

<sup>2</sup> XX Stat. at Large, p. 37; also Report National Board of Health, 1883, p. 22.

epidemic of yellow fever in the history of the country—an epidemic which afflicted over 130 towns and cities, caused the death of more than 15,000 persons, and involved a pecuniary loss of not less than \$100,000,000.<sup>1</sup> The national government responded in some measure to the calls for help from the afflicted communities by providing tents, medicines, and food to the value of about \$25,000 for the sick and destitute. President Hayes stated in his annual message of December 2, 1878, that the epidemic had awakened a very general public sentiment in favor of national sanitary administration which should "not only control quarantine, but have the sanitary supervision of internal commerce in times of epidemics and hold an advisory relation to the State and municipal authorities with power to deal with whatever endangers the public health and which the municipal and State authorities are unable to regulate."<sup>2</sup>

At the session of Congress following several bills for creating a national quarantine system were introduced and pressed by southern Senators. One of these reported February 7, 1879, from a select committee appointed to investigate the best means of preventing the introduction and spread of epidemic diseases, provided for the creation of a bureau of public health in the Treasury department. The proposed bureau was to consist of a director-general and a board of surgeons and was to be empowered to adopt quarantine rules and regulations independent of those of the States, and if the local health officer of any port should refuse to execute them, the Secretary of the Treasury was required to appoint a health officer of the United States who would. The bill passed the Senate in spite of the vigorous opposition of Senators Hoar, Edmunds, and Morgan, but failed in the House.<sup>3</sup> Instead of the rejected bill Congress passed an act (approved February 3, 1879) to create a national board of health. Although entitled "an act to prevent the introduction and spread of contagious diseases," it gave the board no power to frame quarantine regulations, but limited its functions to investigation and advice.

<sup>1</sup> Address of Surgeon General Walter Wyman before the Cincinnati Commercial Club, October 15, 1898.

<sup>2</sup> Richardson: *Messages and Papers of the Presidents*, vol. vii, p. 492.

<sup>3</sup> Record 45th Congress, 3d session, vol. vii, part i, p. 66; also part ii, pp. 1072, 1700, 1826, 1843, 1844, 1902, 2260.



A clause appropriating \$500,000 for paying one-half the expenses of the State boards of health, organized in accordance with such plan as should be prescribed by the national board, was struck out and \$50,000 appropriated to pay the salaries and expenses of the national board.<sup>1</sup> With the approach of summer it became evident that the act was insufficient to prevent the introduction and spread of yellow fever. Another bill was therefore introduced by Senator Isham G. Harris of Tennessee, clothing the national board with authority to frame and execute quarantine regulations of its own. This proposition to give the national board supreme authority in matters of quarantine was vigorously opposed by Senators who represented large commercial interests and it was accordingly struck out. Divested of this feature, the bill passed both Houses and became a law by the signature of the President, June 2, 1879. In this statute the national board was required to report to the President all cases in which State regulations were found to be inadequate, and he was empowered, if he deemed it necessary, to order the national board to make such additional regulations as might be necessary to prevent the introduction and spread of contagious diseases. The State authorities were to be requested to enforce these regulations, but, if they refused, the President was to appoint Federal officers to execute them. It was expressly declared in the act, however, that nothing therein was to be construed as impairing in any way or as superseding any State quarantine law or regulation. This virtually meant a continuance of the local system. Besides, the circumlocution and delay necessarily involved in securing the issue of "additional" regulations rendered this provision of the act useless to meet an emergency requiring prompt and speedy action. Two meritorious features of the act, however, were (1) the requirement that merchant vessels coming from infected ports should be provided with bills of health from the consul or from a medical officer who might be detailed by the President, upon the request of the national board, to serve in the office of the consul for the purpose of making the necessary examination and furnishing certifi-

<sup>1</sup> XV Stat. at Large, p. 484; Record 45th Congress, vol ix, pp. 1909, 2196, 2449-68.

cates, and (2) the provision appropriating \$500,000 to be used by the national board in aiding the States to enforce their quarantine laws and regulations.<sup>1</sup> This act was a distinct improvement on that of March 3d, and was the first substantial act of the national government to check the introduction and spread of contagious diseases. It marks, therefore, a new step in the elevation of national quarantine; but the act was defective, both in theory and practice, in that the Federal control still remained to a large degree subordinate to local control. The State boards were, of course, eager to avail themselves of the pecuniary aid which the national board was able to offer under the act, and the rules and regulations which it recommended were generally adopted by the health authorities of the different States and promulgated as their own.<sup>2</sup> In this way an approximate degree of uniformity and efficiency was secured.

Up to this time practically all the quarantine legislation of Congress had been aimed at the introduction of contagious disease from abroad, rather than against the spread of it from State to State. In 1890 the first interstate quarantine law was enacted by Congress, and is still in force. It authorizes the President, whenever it shall appear to his satisfaction that cholera, yellow fever, small pox, or plague of any kind exists in any State or Territory, and there is danger of the spread of such disease into other States, to cause the Secretary of the Treasury to promulgate such rules and regulations as in his judgment may be necessary to prevent the spread of the disease and to employ inspectors and other persons to execute the said regulations. The rules and regulations are to be prepared by the supervising Surgeon-General of the Marine Hospital Service, and it is to be noted that for the first time the orders of the national government are not required to conform to those of the States.<sup>3</sup> It was, therefore, the first approach to a national quarantine law ever enacted by Congress, as it was the first Federal law designed to prevent the spread of epidemics among the States.

While, as has already been stated, Congress had enacted legislation from time to time in aid of, and supplementary to, the

<sup>1</sup> XXI Stat. at Large, p. 5.

<sup>2</sup> Report National Board of Health, 1882.

<sup>3</sup> Stat. at Large, pp. 31, 32.

laws and regulations of the States against the introduction of contagious disease from abroad, it was not until 1893 that the first measure approaching a national maritime quarantine law was passed. By the act of March 15th of that year, "an act granting additional quarantine powers and imposing additional duties upon the Marine Hospital Service," the supervising Surgeon-General is required to examine the quarantine regulations of all the State and municipal boards of health, and, when they are found inadequate, the Secretary of the Treasury is to make such additional rules and regulations as in his judgment are believed to be necessary to prevent the introduction of contagious diseases into the United States from foreign countries, or their spread from one State to another. When promulgated they are to be enforced by the sanitary authorities of the States and municipalities whenever they will undertake to do so. If they fail or refuse the President is to execute them and adopt whatever other measures may in his judgment be necessary to prevent the introduction or spread of contagious diseases.<sup>1</sup> The power thus conferred upon the Federal authorities differs from that conferred by the act of 1879 in two particulars: first, it applies to interstate as well as to maritime quarantine and, second, it is not restricted by the provision that the regulations to be issued by the Federal authorities shall be in conformity with the laws and regulations of the States concerned. For the first time authority was conferred upon a Federal official to establish and maintain maritime quarantine independently of the views of the States concerned. The law, however, did not contemplate a deliberate supersedure of the State laws and regulations as long as they were adequate, for the supervising surgeon-general is expressly directed to cooperate with and aid the local boards in the execution of their regulations. Moreover, it is declared to be unlawful for any vessel from a foreign port to enter any port or place of the United States except in accordance with the rules and regulations of both the Federal and local authorities, provided the latter are in accord with this act. These concessions to State rights, together with the permission accorded to the State governments to act as the executors of such regulations as the

<sup>1</sup> XXVII Stat. at Large, p. 449.

Federal authorities may feel bound to issue, shows how loath Congress was to supersede entirely the quarantine systems of the individual States. As a consequence of this extraordinary deference to local feeling, the law fails to provide a national quarantine and otherwise contains serious defects. The provision that the Secretary of the Treasury can issue additional regulations only after those of the States have been found to be inadequate, and that the President can proceed to enforce them only after the State authorities have shown their inability or unwillingness to do so, in effect requires a demonstration of inefficiency with the resulting delays which may be fatal. The dangers to which such a system may lead was well illustrated by a case occurring in 1893, when through inefficient enforcement of State regulations a vessel infected with cholera was permitted to land at one of our ports of entry.<sup>1</sup> After this demonstration of inefficiency further action by the President was, of course, useless. Moreover, the law affords too much opportunity for dispute as to whether the effort of the State authorities in a given case amounts to failure, until which the President is not empowered to act. Hardly less objectionable is the requirement that the national government shall aid the State authorities in the enforcement of their laws and regulations, some of which are not infrequently useless and foolish. If either government is required to aid the other in the execution of its laws, the aid should be rendered by the State to the national government. Finally, the provision which permits the States to maintain quarantine stations side by side with those of the United States, and which requires vessels arriving from foreign ports to observe the regulations of the State and municipal health authorities, leads to confusion, collisions of authority, and sometimes unnecessary hardship.<sup>2</sup> As an inducement to the State

<sup>1</sup> Wyman: *Quarantine and Commerce*, p. 13.

<sup>2</sup> Dr. Wyman relates that, upon request of the authorities of several states and municipalities, the United States established at great expense a quarantine station at one of the principal seaports, after which the municipality thus protected established another station nearby, where it goes through the form of re-inspection and charging for vessels which have already been examined by Federal officials. Under the present law the National authorities are powerless to prevent such a proceeding upon the part of the States.—*Quarantine and Commerce*, p. 14.



and local authorities to relinquish their rights with regard to maritime quarantine in favor of the national government, the act of 1893 provides that, whenever the proper authorities of a State shall surrender to the United States the use of their buildings and disinfecting apparatus at a quarantine station, the Secretary of the Treasury shall be authorized to receive them and pay a reasonable compensation for their use, if in his opinion they are necessary to the United States.<sup>1</sup> Under the authority of this act several seaboard States have lately transferred their quarantine stations to the United States, and they are now administered by the Federal authorities. This is notably the case with those of Florida, North Carolina, New Jersey, Maine, and Savannah, Georgia.<sup>2</sup> Others, however, animated partly by a feeling of jealousy toward the national authority and partly by a belief that local interests and convenience can be better secured by local administration, have refused to surrender their quarantine stations to the national government. At the present time eight disinfection and twelve inspection stations are still maintained at American ports of entry by State or municipal authorities. The refusal of the States to relinquish their quarantine privileges is recognized by the act of March, 1902, whereby an attempt is made to secure their coöperation with the public health service of the United States through an annual conference of the representatives of the State and national health authorities which the Surgeon-General is authorized to call at his discretion.<sup>3</sup>

During the year ending June 30, 1904, more than 7,000 vessels were inspected at the national quarantine stations, and of these 323 were subjected to disinfection. For the purpose of conducting inspections at foreign ports of departure medical officers are stationed at various ports in Cuba, Mexico, Central America,

<sup>1</sup> XXVII Stat. at Large, p. 452. The provisions of the act of 1879 described above with regard to the requirement of bills of health for vessels entering American ports, the detail of medical officers to serve in foreign ports for the purpose of making inspections, duties of the marine hospital service, etc., are repeated in the present law. Besides these are detailed provisions concerning the inspection of vessels on arrival, quarantine, disinfection, etc.

<sup>2</sup> Report Surg. Gen. Pub. Health and Marine Hospital Service, 1904, p. 24.

<sup>3</sup> Two such conferences have already been held in pursuance of this act.



South America, Japan, China, and India.<sup>1</sup> All persons suffering from loathsome or dangerous contagious diseases are debarred by the immigration laws from admission to the United States, and it is made the duty of ship masters to furnish to the immigration authorities a manifest certified to by the consul or medical officer at the port of departure, declaring that none of the passengers are suffering from such diseases.<sup>2</sup> To prevent the landing of diseased persons, who may escape the vigilance of the medical officer at the port of departure, a physical examination of all aliens arriving in the United States is required to be made by experienced medical officers of the Marine Hospital Service.<sup>3</sup> During the last fiscal year 840,714 arriving immigrants were thus examined at the various ports of entry, and of these 5,529 were excluded from entrance by reason of their diseased condition.<sup>4</sup> Finally the President of the United States is empowered, whenever, in his judgment, there is serious danger of the introduction of infectious or contagious diseases from foreign countries, to prohibit wholly or in part the introduction of persons or property into the United States from such countries.<sup>5</sup>

## II.

### THE NATIONAL BOARD OF HEALTH.

In treating of the administration of the so-called national quarantine law of June 2, 1879, reference was made to the substitution of a National Board of Health in the place of the Surgeon-General of the Marine Hospital Service, as the authority charged with the execution of that act. The creation of this board is usually regarded as one of the landmarks in the history of Federal sanitary legislation and a brief description of its organization and activities, therefore, will not be out of place.

<sup>1</sup> Report Surg. Gen. for 1904, p. 23.

<sup>2</sup> Act of March 3, 1903, secs. 2 and 13, Immigration Laws, pp. 24, 27.

<sup>3</sup> *Ibid.*, p. 28. The value of this requirement is well shown by the fact that 12 per cent. of the immigrants about to embark at Hong Kong for the United States during the last year were found to be suffering from contagious diseases and were therefore refused passage.

<sup>4</sup> Report Commissioner General of Immigration, p. 9.

<sup>5</sup> Act of February 15, 1893, XXVII Stat at Large, p. 449.

Upon the meeting of Congress following the yellow fever epidemic of 1878, committees were appointed by both Houses to "inquire into the history and means of prevention and arrest of yellow fever and cholera."<sup>1</sup> Experts were employed to visit the various districts in the South which had been stricken by the late epidemic, and conduct an exhaustive investigation into the history and origin of yellow fever and cholera epidemics. Fifty thousand dollars were appropriated to pay the expenses of conducting the investigation.<sup>2</sup> In February, 1879, a report was made to Congress, recommending the enactment of legislation to place the whole matter of maritime quarantine under national control. The result was the enactment of the law of March 3, 1879, by which a national board of health was created. The board was to be composed of eleven members—seven appointed by the President from civil life, one medical officer designated from the army, one from the navy, one from the marine hospital service and one from the department of justice. The members were to receive not more than ten dollars per day and reasonable expenses, and were required to meet at Washington within thirty days after appointment and effect an organization. The members selected by President Hayes from civil life were eminent surgeons and authorities on sanitary science from various parts of the country. In addition to the duty of supervising the administration of maritime quarantine under the act of June 2, 1879, described above, the national board was charged with certain advisory and inquisitorial duties. In brief, it was authorized to seek information on all questions affecting the public health, to confer with the National Academy of Science and the principal sanitarians of the United States concerning a plan for a permanent national health organization, to advise State and national officers on all questions of public health submitted by them, and to give special attention to maritime and inland quarantine. Ten thousand dollars were appropriated to carry the act into effect after, as has been said, a section had been struck out which carried an appropriation of \$500,000 to pay one-half the expenses of the State boards organized in accord-

<sup>1</sup> Cong. Record, December 2, 1878, pp. 2, 64.

<sup>2</sup> XX Stat. at Large, p. 487.

ance with such plan as should be established by the national board. On account of the small powers conferred in matters of quarantine the national board was but little more than a board of scientific research.<sup>1</sup>

The board began work in the summer of 1879, and for the next few years conducted a variety of investigations, the most important of which related to the collection of information from the principal sanitary organizations of the United States, the relation which should exist between the State and national systems of quarantine, the origin of yellow fever epidemics and the best method of determining the amount and character of organic matter in the air, the efficiency of disinfectants, the evil of adulterated foods and drugs, the diseases of food-producing animals, the flow of sewers, sanitary surveys of several large cities, hygiene of the merchant marine, diphtheria, influence of soils on sanitation, etc.<sup>2</sup>

The national board of health was really a useful institution. But it had enemies as well as friends. Senator Morgan expressed the prevailing sentiment in many localities when he declared that there were already too many national boards at Washington, that every interest in the country thought it ought to be represented by a great central board at the seat of government, and that legislation ought to tend rather toward repressing such bodies than sustaining them. By the act of August 7, 1882, the duties of the board were restricted to the investigation of yellow fever, cholera, and small pox. Congress began to

<sup>1</sup> Senator Garland described it as a board "to sit here and discuss questions of public health and correspond with other organs over the country possibly to learn the fact whether it is better to throw a man into fits when he has the yellow fever, or whether it is best to bleed him to death."—*Cong. Record*, 1878-79, vol ix, p 1909.

<sup>2</sup> Report National Board of Health for 1880, 1881, 1882, 1883. The expenditures of the board for the first three years of its existence ending April 3, 1882, aggregated \$506,216. Of this amount nearly \$100,000 was spent on a floating quarantine on the Mississippi River, about \$12,000 was used to pay the expenses of the Havana yellow fever commission, more than \$30,000 for special scientific investigation, \$3,000 on the immigrant inspection service, while about \$50,000 went to aid local boards in Tennessee, Illinois, Mississippi, Arkansas, and Florida. There were expenses for salaries, rent, light, fuel, stationery, printing, telegrams, pay of employees, maintenance of refuge stations, etc.<sup>3</sup>

<sup>3</sup> Stat. at Large, vol. xxi, p. 5; Report National Board of Health for 1882.

withhold the necessary appropriations for its support, though the act creating it was never formally repealed until February 15, 1893.<sup>1</sup>

### III.

#### THE PUBLIC HEALTH AND MARINE HOSPITAL SERVICE.

The Marine Hospital Service, since 1902 the Public Health and Marine Hospital Service, had its origin in an act of Congress approved July 16, 1798, by which the sum of twenty cents per month was ordered to be deducted from the wages of seamen employed on American vessels arriving from foreign ports, which fund the President was authorized to provide for the temporary relief of sick or disabled seamen in hospitals or in such other manner as he should direct. The money was to be collected by the customs officials and expended only in the districts in which it was collected.<sup>2</sup>

The first marine hospital established in pursuance of the act of 1798 was located at Norfolk in 1800, and shortly thereafter others were established at Boston, Newport, and Charleston.<sup>3</sup> After the cholera epidemic of 1832 increased interest in the welfare of the American sailor was awakened, and provision was made by Congress for the erection of a number of hospitals in the West for the benefit of sailors navigating western rivers and lakes. The most important of these was erected at New Orleans in 1837. Others were established at Natchez, St. Louis, Paducah, Louisville, Cleveland, Detroit, and San Francisco. A number of hospitals erected at small inland towns far from the routes of navigation proved unnecessary and were afterwards sold at a great reduction. By the act of June 29, 1870, the marine hospital service was reorganized and the tax on seamen was increased from twenty to forty cents per month. All monies so collected were required to be paid into the Treasury of the United States and placed to the credit of the marine hospital fund.<sup>4</sup> After this the service was self-sustain-

<sup>1</sup> Supp. to Rev. Stats., vol. i, p. 794.

<sup>2</sup> I Stat. at Large, p. 605.

<sup>3</sup> *Journal American Medical Association*, July 30, 1904.

<sup>4</sup> VIII Stat. at Large, p. 169.

ing and no appropriations were necessary except for the erection of new buildings; whereas formerly annual appropriations varying from \$1,000 to \$275,000, and aggregating \$4,830,994, had been made by Congress.<sup>1</sup> The act of 1870 authorized the President to appoint a supervising surgeon to exercise control over the marine hospital service, and in 1875 Congress recognized the importance of the office, doubling the salary of the surgeon,<sup>2</sup> and a little later changed his title to supervising surgeon-general. In 1884 Congress abolished the special hospital tax on seamen and enacted that the expense of maintaining the marine hospital service should thereafter be borne by the United States, out of the receipts from a duty on tonnage, which was imposed by that act. Finally, by the act of March, 1902, Congress changed the name of the Marine Hospital Service to the Public Health and Marine Hospital Service, largely increased its functions relating to sanitary science, and thus made the service in name what it had been in fact for years, namely the public health service of the United States.

Besides providing hospital and dispensary treatment for sick and disabled seamen in more than one hundred relief stations, the government owns and maintains twenty-three hospitals of its own, located in various parts of the country, including Alaska, Hawaii, and Porto Rico.<sup>3</sup>

The operations of the marine hospital service in the interest of the general health may be classified under the following heads: (1) Supervision of national quarantine, both marine and interstate, (2) Sanitary inspection, (3) Sanitary investigation and research, (4) Control and supervision of epidemic diseases. Since 1878, with the exception of the four years during which the national board had charge, the marine hospital service has had control of the execution of national quarantine so far as there can be said to have been any national

<sup>1</sup> *Journal Medical Association*, op. cit.

<sup>2</sup> XVIII Stat. at Large, p. 486.

<sup>3</sup> During the fiscal year 1904, 58,556 seamen were provided with medical treatment either in government hospitals or in relief stations by private contract. Since 1868 the government has furnished relief to nearly one million seamen representing practically all the countries of the world. Report Sup. Surg. Gen., 1904, p. 45.



quarantine before 1893. By the act of 1893, now in force and which has already been described, the powers of the marine hospital service over national quarantine were largely increased, and this may be said to be its most important function. The inspection service so far as it relates to the physical examination of immigrants, both at ports of departure and entry, as well as the inspection of vessels at foreign ports, and the certification of bills of health, has already been described under the head of national quarantine. In addition to the aid which the inspection service renders the immigration authorities, it conducts physical examinations for various other departments of the government such as the revenue cutter service, the steamboat inspection service, the life saving service, the coast and geodetic survey, the civic service commission, etc. By a recent law (act of July 1, 1902) it is required to examine all establishments in the United States for the manufacture of serums, antitoxins, vaccines, etc., intended for sale in other States, and upon the basis of the examinations the Secretary of the Treasury issues licenses to such establishments or withholds them at his discretion.

One of the important activities of the public health service is the study of sanitary problems, particularly with regard to the existence and spread of epidemic diseases, and the publication and distribution of reports relating thereto. This is mainly the work of the division of sanitary reports and statistics, which is under the direction of an experienced medical officer. Through the hygienic laboratory located at Washington, various sanitary and bacteriological investigations have been carried on, such, for example, as those relative to the value of blood serum for small pox; the condition of the water supply of Washington; the causes of malarial fevers; the value of disinfection as applied to the mails, bank notes, school books, railroad coaches; the investigation of certain diseases which have become epidemic, etc. Finally, the public health and marine hospital service undertakes to control and prevent the spread of epidemics, notably those of cholera, yellow fever, and small pox. Thus, since 1873, it has controlled wholly or in part not less than twelve yellow fever epidemics, thus superseding in a large

degree the local "shot gun" quarantines, with their half-barbarous restrictions upon commerce and intercourse. It has likewise controlled wholly or in part epidemics of small pox in Alabama, Arkansas, Florida, Georgia, Texas, West Virginia, and other States. In 1893 it suppressed an outbreak of cholera in Jersey City, an outbreak of yellow fever in Texas in 1903, and the bubonic plague in San Francisco in the same year.<sup>1</sup> In 1901 a yellow fever institute was established in the marine hospital bureau for the purpose of studying the cause, mode of transmission, and remedies for this dread disease. The institute has published thirteen bulletins, which taken altogether, contain all the information that is known of the history, etiology, and characteristics of yellow fever.

In organization the public health service of the United States is a bureau in the Treasury Department, at the head of which is a supervising surgeon-general, appointed by the President, with the advice and consent of the Senate. The bureau is subdivided into divisions of personnel and accounts, marine hospitals and relief, sanitary reports and statistics, foreign and insular quarantine, domestic quarantine, scientific research and sanitation, and a miscellaneous division, each of which is presided over by an assistant surgeon-general.<sup>2</sup>

#### IV.

##### PURE FOOD LEGISLATION.

The power of Congress over foreign and interstate commerce has in recent years furnished the basis for some useful legislation designed to protect the public against the injurious effects of unwholesome meats and adulterated foodstuffs, drinks, drugs, and other products, intended for human consumption. Such legislation, however, is necessarily restricted in its application to products intended for the channels of interstate or foreign commerce and hence can afford no protection against the locally manufactured and consumed product which may be unwholesome for human food.

<sup>1</sup> *Journal American Medical Association*, September 10, 1904.

<sup>2</sup> The total expenditures for the fiscal year 1904 were \$1,168,252, of which about two-thirds went to the maintenance of marine hospital stations.

By the acts of March 3, 1891, and March 2, 1895, still in force, the Secretary of Agriculture is required to cause to be inspected prior to their slaughter all cattle, sheep, and hogs which are subjects of interstate commerce and which are about to be slaughtered at slaughter houses and similar establishments, the products of which are to be transported or sold for human consumption in other States or Territories.<sup>1</sup> The rules and regulations issued by the Secretary of Agriculture for enforcing this provision require the proprietors of such establishments to make application to the department of agriculture for the inspection of all animals intended for slaughter, and to agree to comply strictly with all lawful regulations and instructions of the department. Each slaughter establishment is then given an official number, and an inspector is designated by the department to conduct the work of inspection. The regulations also prescribe the hours within which slaughtering may be carried on, and forbid any deviation therefrom except by permission of the inspector. All animals found upon examination to be afflicted with any one of eighteen specified diseases are condemned, ordered to be removed from the slaughter pen and are disposed of in accordance with the local laws or ordinances governing such matters. The law also authorizes a post mortem examination, whenever in the judgment of the Secretary it is deemed necessary, and if upon such examination the said carcasses are found to be "free from disease and wholesome, sound and fit for human food," they shall be marked or labeled for identification. The regulations of the department now in force require a post mortem examination of all animals slaughtered, and a report of the same to be made to the Department. Diseased carcasses are required to be marked with a condemnation tag and detailed regulations prescribe the manner of their disposition. Their transportation among the States is, of course, forbidden by the law.<sup>2</sup> By the act of May 9, 1902, the provisions of the meat

<sup>1</sup> XXVI Stat. at Large, p. 1089.

<sup>2</sup> The reports of the Bureau of Animal Industry show that between 400,000,000 and 500,000,000 animals have been inspected under this law; that during the last fiscal year inspections were conducted at 152 establishments, located in 51 cities; that during the same period over 64,000,000 animals were inspected, of which about 127,000 were condemned as unfit for human food;

inspection law so far as applicable were extended to cover the manufacture of "process or renovated" butter. The Secretary of Agriculture is required to make a "rigid sanitary inspection" of all storehouses and factories where such butter is manufactured, packed or prepared for market, and of the products thereof and the materials going into the manufacture of the same. All butter so manufactured, as well as the packages containing the same, if intended for interstate commerce, is required to be marked with the words "Renovated Butter," or "Process Butter," and by such other marks, labels or brands as the Secretary may require. He is furthermore required to ascertain whether the materials used in the manufacture of such butter are deleterious to health or unwholesome in the finished product, and if so, to confiscate the same, provided they are to be used in the manufacture of products intended for shipment into other States or abroad.<sup>1</sup> The enactment of this law has been followed by a noticeable improvement in the character of renovated butter, which, considering the larger quantity now being manufactured for commercial distribution, must be regarded as an important article of human food.<sup>2</sup> One hundred and fifty-five factories for the manufacture of this article have been licensed by the Secretary of the Treasury in pursuance of the law and are subject to the regular visitation of ten dairy inspectors. Of substantially the same character is the legislation against the importation of adulterated foodstuffs from abroad. The first law for this purpose was enacted by Congress in 1890. By the act of August 30 of that year, it was made unlawful to and that over 39,000,000 carcasses were examined, of which 89,000 were totally rejected and 132,000 partly so. About 50 per cent. of the condemned carcasses were found to be those of animals afflicted with tuberculosis. The beneficial results of this service are therefore clearly evident.—*Report of the Bureau of Animal Industry for 1904.*

<sup>1</sup> XXXII Stat. at Large, p. 196.

<sup>2</sup> The amount produced during the last fiscal year exceeded 54,000,000 pounds. The provision of the act of March 3, 1891, for the inspection of live stock, the meat of which is intended for exportation to foreign countries, the act of August 30, 1890, requiring the inspection of salted pork and bacon intended for export, and the acts of March 2, 1901, and June 3, 1902, extending the application of the act of 1891 to cover the inspection of dairy products, were not enacted primarily in the interest of the American public health, and are not, therefore, described above.

import into the United States any adulterated or unwholesome food or drug or any vinous, spirituous, or malt liquors adulterated or mixed with any poisonous or noxious chemical drug or other ingredient injurious to the public health. The penalty for violation of the act was fixed at a fine not exceeding \$1,000, or imprisonment not exceeding one year or both, at the discretion of the court, and, in addition, the forfeiture of the forbidden cargo. Furthermore, the President was authorized, whenever he had reason to believe that articles of human food or drink adulterated to an extent dangerous to the health or welfare of the people of the United States were being imported from any foreign country, to suspend by proclamation the further importation of such articles for such period of time as he might think necessary.<sup>1</sup> The penalties prescribed by the act, however, did not prevent violations, and the importation of adulterated foods continued without check. The act was defective in that no means had been provided for detecting the fraud and imposition which the importer easily practiced. This defect was corrected by the act of March 3, 1903, which authorizes the Secretary of Agriculture, whenever he has reason to believe that adulterated foodstuffs are being imported from foreign countries, to make a request of the Secretary of the Treasury for samples from original packages of such articles for inspection and analysis. Upon such request the Secretary of the Treasury is authorized to open the package and deliver samples to the Secretary of Agriculture and to refuse to deliver to the consignee any articles which, upon inspection and analysis by the Department of Agriculture, have been found dangerous to health. The execution of this law has been entrusted to the Bureau of Chemistry, although both the Treasury and State departments lend assistance, the former by procuring samples of suspected products for analysis, the latter by requiring consuls at foreign ports to secure from shippers a declaration concerning the character of the shipment. This declaration, together with a duplicate invoice, is sent by fast mail direct to the Department of Agriculture. Pending the result of the examination the suspected goods are detained by the customs officers or removed under bond. If

<sup>1</sup> XXVI Stat. at Large, p. 414.



the examination reveals a violation of the law, the importer is given an opportunity to explain the matter. If the explanation is satisfactory the goods are admitted, otherwise they must be removed from the jurisdiction of the United States within ninety days, or be destroyed. The enforcement of this law has been attended by most beneficial results. During the year or more which has elapsed since it went into operation, hardly a week has passed in which a cargo of forbidden products has not been denied admission into the United States. From July 1, 1903, to July 1, 1904, 1,880 shipments were examined and 223, or about 11 per cent., were found to be in violation of the law. Nearly one-half of the illegal shipments, however, were admitted with caution and warning on account of being the first offense, thirty-seven were admitted only after the labels had been changed, so as to harmonize with the law; while fifty-six were required to be reshipped beyond the jurisdiction of the United States. The majority of the condemned cargoes consisted of wines, meats, and olive oils. In order to facilitate the work of chemical analysis, branch laboratories have been established at New York and San Francisco.<sup>1</sup>

Finally, mention should be made in this connection of the "imported tea law" of March 2, 1897, which forbids the bringing into the United States as merchandise of any tea which is "inferior in purity, quality, and fitness" for consumption to the standards which the Secretary of the Treasury is required to prescribe upon the recommendation of a board of experts to be appointed by him. Duplicate samples of the standards so adopted are required to be deposited in the customs houses of the principal ports of entry and to be furnished importers and dealers in tea who may desire them. Upon entry at the custom house of any cargo of tea, samples are required to be furnished the examiner, who compares them with the standards in his possession, and if the tea is found to be inferior in quality and purity it shall be held subject to an appeal to a board of three United States appraisers designated by the Secretary of the Treasury. If, upon such re-examination, the tea is found to be below the required standard, it must be taken out of the jurisdiction of the United States within six months, or destroyed.<sup>2</sup>

<sup>1</sup> Letter of the Chief of Division of Foods, January 24, 1905.

<sup>2</sup> XXIX Stat. at Large, 604.

It will thus be seen that Congress has enacted effective legislation against the introduction from abroad of foodstuffs and drinks which by reason of their impurity are believed to be injurious to health. Unfortunately, however, as yet it has done little or nothing to prevent the transportation among the States of domestic articles of this character. At present only the foreign adulterated or inferior product is interdicted. For several years the enactment of legislation against interstate traffic in adulterated foods and drugs has been agitated in both Houses of Congress. On January 20, 1904, the House of Representatives, by a vote of 201 to 68, passed the so-called Hepburn Pure Food Bill, which undertook to fix the standards of foods and drugs as to their purity, strength, and character, and to define what should be considered adulterations or misbranding of such articles. The transportation of such misbranded or adulterated products from one State or Territory to another was forbidden. The execution of that act was to be entrusted mainly to the Bureau of Chemistry of the Department of Agriculture, through the process of inspection and analysis of samples procured by the Secretary of Agriculture. The main opposition to the bill was directed against the provision which proposed to empower the Secretary of Agriculture to fix the standard. This was on the ground that the power to be conferred was more than should properly be vested in any one officer. There was also fear that, while the proposed law might be the means of protecting the public, it might also lead to the prosecution of honest manufacturers for unintentional and technical violations and thus interfere with legitimate trade. In the Senate the committee on manufactures, to which the bill was referred, substituted a somewhat different measure, but no action was taken on it. Soon after the re-assembling of Congress in December, 1904, an effort was made by the friends of the bill in the Senate to have it brought up for consideration, but the attempt was abandoned early in the session.<sup>1</sup>

Such are the more direct and immediate activities of the national government in the interest of the public health. In

<sup>1</sup> Cong. Record, 58th Congress, 3d ses., p. 230.

volume they are not large, but in importance deserve high rank. They represent almost entirely a new and very recent phase of Federal activity. The national quarantine laws, if they may be described as national, date back but little more than a decade, while most of the pure food legislation is even more recent. Twenty years ago the public health service of the United States was confined mainly to the care of sick and disabled seamen. To-day its activities are exercised in the interest of all classes. There is hardly a department of the government which does not exercise functions either directly or indirectly in aid of the public health, mainly by contributing to our knowledge of sanitary science, but sometimes by other means. Thus the Interior Department, through the Hydrographic office, studies the question of a wholesome water supply, and through the Bureau of Education it publishes reports on schools, hygiene, and similar subjects. The Department of Commerce and Labor through the Bureau of Labor conducts investigations into the condition of slums, housing of the working people, the factory system, etc., and sends broadcast printed reports of such investigations. The Navy Department through its Bureau of Medicine and Surgery maintains a medical school of research and instruction for its officers. The War Department maintains a somewhat similar school, and through its corps of sanitary engineers renders valuable service towards the sanitary rehabilitation of communities governed by the military authorities. Its work in Havana at the close of the war with Spain and its services in Panama at the present time are notable examples. The work of the State Department in requiring consuls to furnish bills of health and make reports on the sanitary conditions of the ports at which they reside, as well as that of the Treasury Department through the Marine Hospital Service, has already been described. The Agricultural Department, through the Bureau of Chemistry, the Bureau of Animal Industry, and the Weather Bureau, renders valuable service in the interest of the public health. Through the Division of Foods in the former bureau the pure food legislation is enforced, and investigations into the character of food preservatives and adulterations are conducted, while through the Bureau of Animal Industry, with its more than 1,400 employees,

the meat inspection laws are executed, and investigations into the existence of contagious diseases in animals used for human food are carried on.<sup>1</sup> With the possible exception, therefore, of the Postoffice Department and the Department of Justice, all of the departments of the national government are at present conducting lines of activity which relate directly or indirectly to the promotion of the public health.

JAMES WILFORD GARNER.

University of Illinois,  
Urbana, Ill.

<sup>1</sup> It is sometimes asserted that the activities of the National government for the suppression of disease among domestic animals have surpassed in importance those directed against the diseases of mankind. Thus, the Bureau of Animal Industry, now one of the largest of the government, was created primarily to extirpate pleuro-pneumonia and other contagious diseases among cattle (act of May 29, 1884). For this purpose Congress has appropriated generous sums, the most recent instance being the appropriation of \$500,000 by the act of March 3, 1903, to extirpate the foot and mouth disease among cattle. The efforts of the Bureau to eradicate both these diseases have been singularly successful. Its efforts at present are being directed to the suppression of sheep and cattle scab and Texas fever, with every promise of success. To prevent the spread of communicable diseases among live stock, a law has been enacted by Congress forbidding the transportation of animals affected with such diseases from one state or territory to another, and empowering the Secretary of Agriculture to make such regulations as in his judgment may be necessary to prevent the introduction of such diseases from abroad or their dissemination among the States. It is noticeable that, unlike the Federal quarantine laws relative to human diseases, the cattle quarantine law is national, no account being taken of local laws and regulations.—*Act of February 2, 1903.*

## NOTES.

**The Long Island Cauliflower Growers' Association.** Most of the eastern markets are supplied with cauliflower from a small district at the eastern end of Long Island, where about 500 farmers plant annually 2,000 acres with cauliflower. The plant is grown only in a few market gardens elsewhere. Though the Cauliflower Growers' Association does not compare in size and strength with the California Fruit Transportation Company, which is the largest and most complete organization of the kind, it is of interest because of its peculiarly simple organization and the success with which it has defended the interests of its members during the past few years.

Before the organization of the Association the profit of the growers was greatly reduced by poor railroad service and high rates, by dishonesty among commission merchants, and by lack of foresight in marketing their goods by the farmers themselves. As is seen from the figures above, the average number of acres per man is only four, so that none of them was able to take advantage of the car-load freight rates, but had to pay twenty cents a barrel for a distance averaging eighty-five miles. The average price for which a barrel of cauliflower sells is \$1.50, so that the farmers paid over thirteen per cent, of the value of the goods for this short haul. The railroad had no competition, and the service was very poor. There was only one freight train a day, and it often ran far behind time; in the warm weather cauliflower frequently spoiled on the road. The farmers shipped nearly all their cauliflower to New York, as they had no regular reports from other markets and were not in a position to obtain and load refrigerator cars for a distant market. This kept New York over-supplied most of the time. When an occasional report of higher prices in some other market was spread, cauliflower would be shipped there in such quantities as to cause a glut and immediately reduce prices. A farmer would also ship goods to two different merchants in New York whose stands were only a few doors apart, so that a part of his stock was in competition with the rest and a buyer could go from one stand to another and beat the price down. The greatest abuse practiced by the commission merchants was private speculation. They would sell cauliflower to themselves at the lowest New York market rate and re-ship it to another market, where they made a large profit. In one case a



farmer learned through a friend in Philadelphia that cauliflower for which he had received \$1.25 a barrel in New York had actually been sold for \$2.25 in Philadelphia.

The Association was first organized in 1900, each member paying in twenty-five cents for every acre that he proposed to plant. In 1903 it was incorporated on a stock basis, with a capital of \$10,000, divided into 2,000 shares of \$5 each, the growers subscribing for a share of stock for every acre planted. The working force of the Association consisted of a general manager and, during the season, a shipping agent at each shipping point, and a man at the western terminal of the railroad to whom all New York shipments were consigned and who superintended the distribution of the goods to the merchants. In this way he could see that the commission merchants transacted their business honestly.

The capital of the Association has improved its financial standing, and has enabled it to buy seed and other supplies in bulk, to the advantage of the members. The Association, however, relies for its maintenance on another source of revenue. While the farmers pay the same freight rate now that they did before, they pay it to the Association, which does the shipping in its own name and saves five cents a barrel by taking advantage of the carload rate. From this source the Association gets its entire support.

While the Association has thus appropriated for its maintenance the saving in the charges of transportation, it has secured for its members very much better train service. A special freight is now run which handles only cauliflower, stops only at the shipping points of the Association, and so gets the cauliflower to New York in good condition. It has also obtained the use of refrigerator cars, which makes shipments possible to all eastern cities north of Washington and as far west as Chicago. In these distant shipments the cauliflower is bought at the shipping station by the Association and sold outright to commission merchants in these cities, not shipped to be sold on commission, thus preventing frauds on the part of the commission merchants. This also prevents the New York merchants from re-shipping by keeping the markets about equally well supplied, and in the same way keeps a higher and a steadier price in all the markets.

The Association has entire control of the amount which shall be shipped to any place except New York. In case of an extra large crop there is still likely to be a glut there. However, there must be one market in which to dump the surplus in case of over-pro-

duction, and New York is the best place for this, as it is the largest and the nearest market.

The distinctly local and special character of the cauliflower industry has enabled the Association to accomplish results still denied to most organizations of agricultural producers. The farmers pay out no more than before, less in fact, for the Association buys their supplies cheaper in bulk; they get higher prices, better railroad service, and honest treatment from the commission merchants. The railroad does not get as much in freight returns, but handles the business more economically, and is on better terms with its shippers. No one suffers but the commission men, who have done all that they dared to hurt the Association, but who have accomplished nothing.

E. R. LUPTON.

**The Conference Regarding Labor Protection.** The Federal Council of Switzerland issued on December 30, 1904, invitations to a conference on the subject of labor protection. These were sent to the governments of Germany, Austria-Hungary, Belgium, Denmark, Spain, France, Great Britain, Greece, Italy, Luxemburg, Netherlands, Portugal, Roumania, Servia, Sweden and Norway, and the subjects proposed for discussion were:

- (1) The prohibition of the use of white phosphorus in matches;
- (2) The prohibition of night work for women in factories.

The conference met May 8, 1905, and was attended by representatives of the greater number of states invited, Russia and some of the Balkan states being unrepresented for obvious reasons.

Though the proceedings of the conference were not public, its principal results have been given out. On both of the topics decided action was taken. With regard to the manufacture of matches, it was decided to prohibit the use of white phosphorus from January 1, 1907. Japan is, however, to be invited to join in this movement, and the agreement will not go into effect, until the states represented at the conference as well as Japan have ratified its action. With regard to night work for women, it was decided that such work should be generally prohibited in industrial establishments, and that the period of rest must include at least eleven consecutive hours, of which the hours from 10 P. M. to 5 A. M. must form part. Certain exceptions for seasonal industries, unavoidable interruptions to work, and other special cases were recognized.

The work of the conference is entirely advisory, but it is significant as growing out of the International Association for Labor Protection organized in 1900, and as paving the way to international treaties on the subject.

**The Beneke Prize.** The following details regarding the Beneke Prize will be of interest to our readers:

This Prize, established some forty years ago, is awarded for the most successful treatment of a subject prescribed by the authorities in charge. The amount of the first prize is \$850; the amount of the second prize, \$135. Papers in any one of the modern languages should be presented to the Philosophical Faculty of Goettingen University not later than the 31st of August, 1907. On the title page should appear a motto, which should also appear on a sealed envelope containing the name and address of the writer.

The subject offered for competition is "Sunday Rest in England and Scotland." The following explanation is given of this subject: "Sunday rest in England and Scotland is the outgrowth of the Reformation. Competitors are required to show in detail how the regulations of the church and society, little by little, established the observance of Sunday; to indicate in general the connection between law and custom, and to draw inferences regarding particular forms of social legislation."

**An International Congress of General Economic Expansion** is to be held under the auspices of the Belgian government on the 24th of September at Mons. The topics to be considered are commercial and technical education, science of statistics, political economy, custom-tariffs, navigation, colonization, diplomatic and consular service, and, in general, means of promoting commerce and civilization. The congress is under the patronage of King Leopold, while five cabinet ministers and the speakers of the Belgian senate and house of representatives have been appointed honorary presidents. The program covers a surprisingly large range of subjects, including elementary and secondary education and universities, international statistics, the civilizing of new countries, and means and mediums of expansion.

## BOOK REVIEWS.

*Autobiography of Andrew Dickson White.* New York: The Century Co., 1905—2 vols., pp. xx, 601; xix, 606.

This work is partly composed of papers previously published in periodicals. It is wholly constructed of detached episodes, each in a way complete in itself, and yet each regarded as a chapter of a life, necessarily incomplete in itself. Like all such collections, it has its merits and demerits. There is a want of continuity. Repetitions occur, and sometimes when they were unintended. The drama of life is told without much regard to the canonical unities of dramatic composition. On the other hand, as a psychological study, the concentrated searchlights thrown on this or that distinctive kind or period of the author's activities brings things out in sharp relief, and show them in the particular relations which give a character to the whole. The attention of the reader is thus closely drawn to the precise phase which it is desired to present, in the most favorable way to make its outlines bold and impressive. Singleness of treatment leads here to clarity of apprehension, yet one gets but a detached succession of short views.

Mr. White's life has been that of a scholar, but of that rare kind of one, a scholar in politics. A bibliography appended to the second volume shows a list of eighty-nine publications between 1852 and 1905. The earliest, the Yale Literary Prize Essay won in his Junior year in college, upon "The Greater Distinctions of Statesmanship," was indicative of what was to be one of his main trends of thought. His life has been a long attack on the politics of the mere politician, the instruction of the mere pedagogue, and the theology of the mere sectarian.

We learn little of the *vis intime* of the author as a man. The curtain before that is raised only for the time of his childhood and early youth. He was trained to respect learning. As he gazed one evening with awe, when a child of seven, at the principal of the academy surrounded by a circle of his pupils on the village green, to whom he was giving a clearer look at the stars by the aid of a telescope, he began, he says, to feel "that great truth, so imperfectly understood as yet in our country, that stores, shops, hotels, facilities for travel and traffic are not the highest things in civilization."

He entered Yale already well initiated in the art of reading. D'Aubigné's "History of the Reformation" was one of the books which he had studied with the most relish, and to that, he declares, he owes his bent towards historical research. The Abbot of Bury in Carlyle's "Past and Present" became one of his ideals, and he felt that Emerson and Ruskin were his familiar friends.

His first year at Yale, he says, gave him little except opportunities for self-cultivation. The teaching—mainly by tutors—seemed perfunctory. Later, when he came more under the care of the permanent professors, he thought them fettered by a slavish system of recitation, giving little opportunity for real instruction. The only courses which he remembers with much pleasure were those under President Woolsey in the history of civilization and in political economy. During his three years at New Haven from no member of the Faculty was there a single lecture "upon any period, subject or person in literature, ancient or modern" (I, 29, 364). Fortunately New Haven in this could teach Yale. The citizens had their popular lecture courses, and young White in that way was able to listen to Emerson, Whipple, George William Curtis, and John Lord (I, 355). The students also, then as always, were good teachers of each other, and one of their class societies, "devoted to off-hand discussions of social and political questions," he pronounces to be on the whole the best club he has ever known. In Senior year he received the DeForest medal for an oration on "The Diplomatic History of Modern Times." This shows again what had become the settled current of his thought. He was swept into it, not simply by his historical reading, but by an historical impression stamped upon his mind by seeing Edwin Forrest in the play of "Richelieu."

He tells with spirit of three well-spent years abroad which followed his graduation. Visiting the grave of Chateaubriand at St. Malo, he found in a party already gathered there an old man who, he was told by one of them, was the Prince de Rohan-Soubise. The Prince soon spoke to him, and being addressed in return by his title, asked how he knew his name. Mr. White was able to reply on the moment that even in America the verse was known

"Roi je ne puis,  
Prince ne daigne,  
Rohan je suis."

In such ways his wide reading, aided by a good memory and ready wit, often made him friends, and opened doors that are closed to



The fall of 1857 found him in the chair of History at the University of Michigan. He had felt that the Northwest was to rule in American politics. A word to this effect from President Wayland, uttered at a Yale Commencement, had sunk into his soul, and is quoted once and again (I, 84, 257). At Ann Arbor he had those who were soon to bear this rule before him for instruction as to how to bear it. No work in the whole course of his life, he declares, did he enjoy so much (I, 84). To point men who were to enter on active life in a country overshadowed by slavery, and choose their station in regard to it, to books like Motley's "History of the Dutch Republic" and show how free peoples have conducted long and desperate wars to vindicate national ideas and inspirations was, he well knew, to prepare them for struggles that might be impending for Americans.

In 1864, while in the Senate of New York, a debate arose on a bill to encourage enlistments by a State bounty. One of the speakers asserted that the loans that might be negotiated to provide funds for such payments would certainly be repudiated. The money was to be raised by issues of paper and spent by issues of paper. These notes of the government had already depreciated very greatly. All history showed that the time would come when they would become absolutely worthless. Mr. White tells with some satisfaction of his impromptu reply. A few years before he had lectured at Ann Arbor on the *assignats* and *mandats* of the French Revolution. He had shown that in a few months forty-five millions of francs of these kinds of currency had been put out with practically no provision for their redemption; that the notes were in such form as to be easily counterfeited; and that in fact they had been counterfeited in England to an enormous extent. All this he was now able to put before the Senate with great effect, and to reinforce it later by exhibiting a number of the original *assignats*, the rude execution of which was in sharp contrast with the excellent engraving upon the currency of the United States.

It was while in the Senate that he helped to lay the foundations of Cornell University. The eighteen years during which he was its President gave him the opportunity to put to a working test many of the theories of education which he had accepted. Some of these he had already applied in practice at Ann Arbor. Part were among those suggested by Herbert Spencer (I, 363). The first thing was to substitute, universally, lectures for recitations, and to make the lectures a living thing. The best lecturers at Yale he had found

uninspiring. They were paralyzed by the system of which they formed a part (I, 255). He favored the lecture without notes, based on a printed syllabus in the hands of the students, interleaved for their convenience in taking notes (I, 262). Scientific were not to be outranked by classical studies. Great freedom of choice was to be allowed each student. There must be no sectarian influences. The relations of facts, not facts alone, were to be the subject of acquisition (I, 341 *et seq.*). Non-resident teachers of eminence should be secured (I, 354, 64). There should be a course of lectures on American history,—a thing then, he asserts, unknown this side of Paris (I, 383). There should be no honorary degrees, until the University had attained a position that would make her award of them a conceded honor (I, 389). The President should once or more each year meet the whole student body and endeavor to inspire or strengthen the sentiment that they had a part to play in the conduct of the institution, and must hold themselves largely responsible for its success (I, 430).

Mr. White has followed the example of Sir Horace Rumbold (now no longer open to the retired diplomatist in Great Britain) in speaking with much frankness of great personages whom he has met at foreign courts (I, 549, II, 10, 33, 36, 93, 184, 204, 318). It is, to say the least, questionable how far such publications conduce to a good understanding between nations, or a cordial reception of the representatives of foreign powers by the government to which they are accredited. Here, as in the case of his allusions to conversations with public men in our own country, he is generally complimentary in what he says; but even compliments are not always received in good part when tendered in such a form.

The book is sprinkled with good stories, well told. Let one be the proof. Lowell once asked Sainte-Beuve which he thought the greater poet, Lamartine or Victor Hugo. "*Eh bien,*" was the reply, "*charletan pour charletan je préfère Lamartine.*"

The chapters on the Hague Conference of 1899 (II, 250-354) are of great political importance. The inside story of its almost unhoped for success is given with little reserve.

Mr. White spends considerable space, and none too much (II, 513-573), in describing the revolution in religious thought and teaching among Protestants which he has witnessed since the days of his boyhood, and to which his own principal literary work has effectively contributed.

He has written a book to interest all who are interested in the modern world. It is the story and the message of one who has been for fifty years a prophet of the new school in education, in theology, and in world-politics.

SIMEON E. BALDWIN.

*California and Its Missions: Their History to the Treaty of Guadalupe Hidalgo.* By Bryan J. Clinch. San Francisco: Whitaker & Ray, 1904—2 volumes.

The object of these interesting volumes is to set forth in brief compass the development of the Indian Mission system in Spanish America, the results of the expulsion of the Jesuits who founded the missions, the working of the semi-military colonization scheme devised to take the place of the Jesuit system, the growth of the European population beside their savage neighbors and their social and legal organization, and, finally, the destruction of the mission system by the Mexican governors.

In developing a system for civilizing the Indians of the Californias, the Spanish administrators profited by their experience in the West Indies, and measures were taken to ensure that the Indians should be free from forced labor. The object was to keep the two races separate and thus protect the natives from any kind of feudal oppression. Each community was secured in possession of sufficient land to support its people. The land was cultivated for the general use by the whole population under direction of the priests, but provision was made that such natives as desired it should have some private land allotted to them and should retain the profit; in the latter case, however, land unused by the occupier reverted at once to the public domain. Collections of villages were placed under the command of a governor of provinces, whose duty was to protect the community against outside foes and see that the training of the natives was not neglected.

Scarcity of food seems to have been characteristic of most of the Lower California tribes. The first mission was founded at Loreto, 1697, in the barren desert of Southern Lower California, in an oasis large enough to make a kitchen garden. The planting of missions went on steadily until, in 1767, there was a chain of fourteen missions from Cape San Lucas to the boundary of California. Within this area the natives were all living in peace under the direction of the Jesuits. Little opposition was encountered from the natives, but sometimes some of the medicine men put up

a determined fight, yet the result always was that the recalcitrant Indians, sooner or later, came into the missions and begged to be converted.

The Jesuits were expelled in 1768, and the task of pushing the mission work into California was given to the Friars of St. Francis, who carried it on with equal success. They established the first mission in California at San Diego in 1769. The natives of California were much better supplied with food than those of Lower California, and this fact had an important bearing on the history of the missions; for where game and fish were plenty the natives showed small inclination to change their way of life, though some were always ready to be converted and live near the churches and hear their teachings. The Indians of San Diego were the most obdurate and independent, giving the Spanish very much trouble—once almost exterminating the mission—and this seems explainable by their easy and certain supply of shell fish. In general, the Indians were not hostile, except those in the mountains, who were accustomed to make forays into the valleys. The natives, as a rule, were found to be willing to work fitfully for food, and the purpose of the friars was to get them to work steadily as a matter of moral duty, rather than to insist upon a large amount of work. The wants of a community were supplied by four to six hours work daily.

The missions grew to great prosperity. They had large herds of cattle, sheep, and horses, and large crops of grain, fruit, and wine, and the native Christian population grew steadily. The work of directing the chain of missions from San Diego to San Francisco was carried on by about forty friars. In 1820 they numbered thirty-seven, and further development was prevented by the failure of the supply of friars from Spain. Methods of violence were always avoided, runaways were induced to return by persuasion, and punishments were light. The friars received no pay and had no property, and the missions had no accumulated funds. So far as possible the natives were kept at work under foremen of their own race. Native sports and games were encouraged and frequent holidays were given so that the natives could go to the mountains and camp out for a week or so, living after their own fashion. The condition of the converts was better than that of the laboring classes of France, England, and the United States at the time.

In 1822 there were over 21,000 converts in the missions, besides those scattered about the country; they raised seven-eighths of

the products of the province, and did all of the manufacturing. The first Mexican governor, therefore, did not dare to expel the friars, notwithstanding his hatred of them as Spaniards. It was not long before it was thought necessary to reform the missions in order to get the Indians out of their alleged slavery and elevate them according to the dominant political ideas of the time. The plan was to distribute a small part of the mission property to the Indians and keep the rest to be administered for the benefit of the community by lay officials. This was done in 1835. The wealth of the missions was due almost solely to the work of the converts; the lay administrators were unable to keep the Indians at work, they were incapable of directing the workshops and could not command the respect of the natives. The manufactures went out of existence within four years; the vineyards, orchards and irrigation works were neglected and cultivation ceased; the herds disappeared, together with the converted population.

The authorities on which the works are based are good, but it is to be regretted that in a work of so much interest specific references to them should be omitted. Since it has been noted, it is perhaps well to indicate an error made in the value of the arroba. In one case, nine arrobas are made to equal twenty-five tons, and in another place fifteen arrobas are said to equal eight hundred and fifty pounds. An arroba is equal to twenty-five pounds, approximately.

HUBERT H. S. AIMES.

*Grundriss der Allgemeinen Volkswirtschaftslehre.* Von Gustav Schmoller. Zweiter Theil. Leipzig, Duncker und Humblot, 1904—pp. x, 719.

An extended review of Professor Schmoller's first volume was published in the YALE REVIEW for August, 1900, and an attempt was then made to define the author's position among German economists, and to explain the aims and general character of his great work. The present notice can, therefore, deal more briefly with the salient features of the second volume.

The entire subject is divided into an introduction and four parts, of which two are treated in the first volume and two in the second. The first part deals with land, population, and the technical arts, in short, with the main elements of production. The second describes the social constitution of economic life, including the family, the state, the division of labor, social classes, etc. The third, which takes up two-thirds of the second volume and about two-fifths of the entire



work, treats of economic processes, commerce, money, value and price, capital and credit, labor and wages, and the division of income. The last part deals with the development of economic life as a whole, especially crises, class struggles, the competition of states and commercial policy, and the general stages in the economic development of mankind. It will thus be seen that the operation of strictly economic laws is found mainly in the third part, and that the others are largely devoted to the description of social institutions or the discussion of problems of history and governmental policy. But even in the more theoretical part much space is devoted to description and history. Such economic concepts as exchange, demand and supply, capital and credit, wages, profits and rent, are carefully defined, and the economic laws governing them explained. But under each head much space is devoted to the historical and concrete forms in which these various elements appear. Thus the author is not content to take for granted the existence of the human desires which lie back of all economic demand, but he devotes some fifteen pages to an account of the growth of the demand for specific articles. This fullness of detail, this endeavor to give in every instance the concrete facts of the case, are characteristic of the book as a whole.

The contrast between this conception of the subject and that which is more commonly held by other economists cannot be better stated than in the words recently used by Professor Schmoller himself, when delivering a congratulatory address upon the occasion of Professor Wagner's seventieth birthday.

"Scholars fall," he said, "into two groups. The one half undertakes to allow the world and its phenomena to act upon them, to observe them, to understand their processes in detail, to produce realistic, living pictures of them, to analyze men, their groups and their connections, and to explain them causally. These are the men of experience, of induction, of description; they are the ones who go into the archives, who, as their opponents say, grovel in the dust. Their most peculiar quality is to keep their eyes open towards the outside. The other half of the scholars directs its view more, I may say, towards the inside. It is their task to rationally make themselves masters of the material of knowledge, to understand it as a unit, to arrange it systematically under definitions and principles. The essence of their character is speculative. They wish to understand the present and the past as a whole, and from such a point of view point out the way for the future." It is needless to add that he puts himself in the first class, Professor Wagner in the second.

In the book before us Professor Schmoller says, "The fundamental thought of our whole doctrine is that the economic life of mankind takes place in a mass of politico-social bodies, which, sometimes contemporaneously, sometimes consecutively, appear to us as units," and the strong point of the book lies in the descriptions of great social institutions and social movements, such as the class contests in Greece and Rome, the trade policy of modern states, etc.

It is inevitable that in dealing so fully with questions of policy an author will go beyond those subjects which are capable of exact proof and introduce many topics on which opinions may differ. In such matters his personal equation must always be understood. Professor Schmoller makes no concealment of his own. He clearly writes from the point of view of one who has little faith in democracy, but who believes thoroughly in the ability of a sovereign or a group of statesmen standing above class interests to regulate wisely and harmoniously the conflicting claims of social groups. This must account for the decidedly unfavorable view which he takes of American institutions. Thus he makes the following statement: "An American minister not long since could designate the constitution as an irresponsible despotism resting on constitutional forms and exercised by six persons. This is the beginning of the well-known historical transmutation of every extreme democracy into a dictatorship" (p. 536). Even if this were a fair picture of American institutions, the existence of Germany's next door neighbor, Switzerland, should have saved Professor Schmoller from the hasty historical generalization implied in the last sentence. It seems equally difficult for him to fairly interpret the recent external history of the United States, as may be seen in the following sentence: "Cuba, which had been coveted since 1824, was taken away from Spain, the Hawaiian Islands, Porto Rico, and the Philippines were annexed. . . . The government of the union has begun a great imperialistic, colonial policy, a policy of acquisition under the applause of almost the entire nation" (p. 628).

However energetically one may disagree with some of Professor Schmoller's views regarding present questions, whether of internal or international politics, one cannot but admire the learning and the genius which have made it possible for him to cover in one harmonious and systematic work such an enormous range of anthropological, geographical, technical, statistical, philosophical, and historical material, while his keen estimates of conflicting policies and the high ethical plane of his thought make the work equally valuable to the statesman and the economist.

H. W. F.

*Zur Politik des Deutschen Finanz-, Verkehrs- und Verwaltungswesens.* Reden und Aufsätze von Gustav Cohn, Professor der Universität Göttingen. Stuttgart: Verlag von Ferdinand Enke. 1905. 8vo, vi, 482 pp.

Professor Cohn's writings are well known to the American economists, and many have been introduced to German economics through his lucid and scholarly treatises. Moreover, special investigators of subjects in railroad economics and in matters of administration have frequently turned to him for helpful guidance.

The book before us contains a collection of his papers, which have already appeared in various German periodicals, some of them not readily accessible to the American reading public. The articles all treat of subjects Professor Cohn has taken special interest in, and in the treatment of many of them he has been a dominating influence in German thought. So, for instance, his activity in the Commission to investigate the Stock and Produce Exchanges in Germany, which resulted in the famous legislation of 1896, is reflected in his very incisive discussion of those matters.

The student of German imperial finances will find much of interest in his treatment of the problems involved,—problems that he shows are becoming more and more involved with the growth of the empire and the new demands upon the government, and with the rise of the new sources of revenue. Among the latter he frequently discusses the project of a tobacco monopoly, a favorite device of his, to meet the growing expenses of the Imperial government.

Some other very modern questions he discusses with great acuteness. For instance, the matter of the legal education, especially of the prospective German administrators. He finds great defects in the training of these officials, and pleads for greater importance to be given to the social sciences as the best means of training young men for government service.

Street railways and all the problems they bring with them engage much of his attention and he discusses them with much vigor. Department stores, too, attract his attention. In fact, a large number of social and economic institutions of recent times, which have been brought into importance by the new conditions surrounding them, are dealt with by him.

In times past, a considerable number of American students have flocked to Professor Cohn's lecture room in Goettingen, and have been attracted by his breadth of treatment, his great consideration for foreigners, and last but not least, his clear and forcible enun-

ciation. The book before us will be read by his foreign pupils as well as by many others, who will find in it a good example of the treatment given by the modern German school of economists to some of the modern economic questions.

J. C. S.

*The Tenement House Problem.* By Robert W. DeForest and Lawrence Veiller. Two volumes. New York: The Macmillan Company, 1903—Vol. I, viii, 470 pp., Vol. II, 516 pp.

*First Report of the Tenement House Department of the City of New York, 1902-1903.* Two volumes. New York: Martin B. Brown Press. Vol. I, vi, 426 pp., Vol. II, 480 pp.

The housing problem is not confined to any one city or any one country. It has occupied the attention of philanthropists, administrators, and economists for a couple of generations in Europe as well as in the United States. While most of our cities have only recently felt the problem to be a serious one, it reached an acute stage in New York City three-quarters of a century ago, and has been growing in complexity since that time in spite of numerous legislative and philanthropic efforts to solve it. If New York has contributed a large part of the problem, it has now the credit of having also contributed the most valuable studies on the subject which our country has thus far produced. The two volumes of the official report supplement admirably the two volumes on the tenement house problem in general compiled by Messrs. DeForest and Veiller, and the four together represent an achievement in city administration which other cities would honor themselves by emulating.

In the two volumes of the Tenement House Problem we have a thorough study, historical and statistical, of the conditions under which the poorer classes live in the principal cities of the world. A number of authors besides those whose names are on the title page have contributed to this study, among them Mr. Winthrop E. Dwight, who writes on housing conditions in leading European cities, Mr. Albert L. Webster, who writes on tenement house sanitation, and Dr. E. R. L. Gould, who writes on financial aspects of recent tenement house operations in New York. The city of New York naturally occupies a large share of the space in these volumes, but other American and European cities are also treated, and a full appendix gives the text of important acts and other data.



In the report of the tenement house department under the administration of Mr. DeForest and his deputy, Mr. Veiller, we see the effect of putting into office the kind of men who are the authors of the scientific study. A detailed account is given of the operation of the last tenement house law, illustrated by excellent photographs and plans, and showing the great success of the more stringent law under good administration in securing better sanitary conditions, more light, and more air, without necessarily adding to the expense of building. Elaborate statistical tables accompany this report, giving data with regard to the tenement house population, nativity and parentage of heads of families, number of persons in families, etc.

The effect of the volumes before us will not be confined to New York City. New Jersey and Connecticut have both since their publication passed tenement house laws, and other States will doubtless be glad to draw upon New York's experience, which has the great value of showing to cities of moderate size the bad conditions which may arise from neglect, and again illustrating the old adage about the ounce of prevention. One question, which only the future can solve, is whether it will be possible to keep rents moderate under increased sanitary requirements. It is claimed in some quarters that it is now more difficult than it was formerly to get tenements at a moderate rate. This raises the wider question, whether legislation should not go beyond the effort to improve conditions in the cities, and try to counteract the constant and increasing congestion which keeps the housing problem ever before us in one phase or another. These books do not pretend to go into this wider problem of social economics, but they furnish much valuable material for those who are studying it.

H. W. F.

*Recent Literature on Interest, 1884-1899, a supplement to "Capital and Interest."* By Eugen von Böhm-Bawerk. Translated by Professors William A. Scott and Siegmund Feilbogen. New York: The Macmillan Company, 1903—pp. xliii, 151.

No one will dissent from the statement of the translators that "whatever may be the final verdict of science regarding the agio theory, no one can doubt that the splendid example of criticism and analysis which is contained in Böhm-Bawerk's work has raised theoretical discussion to a higher level and been a constant and powerful stimulus to investigation in this field." The result of this



discussion and investigation during the past twenty years has been a constantly increasing output of economic writing on the theory of interest. In 1900 Böhm-Bawerk undertook to summarize these writings and answer the continued criticisms on his own theory. This he did in a second German edition of "Capital and Interest." This second edition differed from the first merely by the addition of an appendix on the recent literature, by the insertion of passages devoted to the posthumous writings of Karl Marx, which had appeared since the first edition, and by a chapter devoted to John Rae, to whose work and its resemblance to Böhm-Bawerk's, Professor Mixter had called attention in 1897. This additional matter is now presented to English readers in the translation before us. The parts devoted to Marx and Rae, however, are not translated in full, but only paraphrased and summarized in the translators' preface.

It is, to us, a matter of regret that the criticism of Rae was not given fully; especially in view of the forthcoming new edition of Rae's masterly work which has been prepared by Professor Mixter. Rae's work on the theory of the accumulation of capital and the determination of interest appeared in 1834; but, owing to a curious combination of circumstances, which are described in Professor Mixter's forthcoming edition, it so far failed to attract the attention which it deserved that when Böhm-Bawerk's critical history first appeared just a half century later, not only had it been entirely forgotten by economists in general, but to Böhm-Bawerk himself, special historian as he was, it was known only at second hand, through the references of John Stuart Mill. In these references Böhm-Bawerk found nothing to lead him to believe, what was really the case, that Rae's work contained his own agio theory of interest almost, if not quite, as fully worked out as he had worked it out himself, though in a somewhat different manner.

In our opinion, Böhm-Bawerk's criticisms on Rae are only partially deserved, and some of the faults which he finds will prove on examination to be virtues. He takes issue with Rae for making two determinants of the rate of interest, the first, a psychological one, "the effective desire of accumulation," and the second, a technical one, "the order of instruments," i.e. the rate of their return on their cost of production. According to Böhm-Bawerk, Rae has failed to show how these two regulators of the rate of interest cooperate. He admits that the first is valid and that it is practically identical with his own "preference for present over future goods." He therefore concedes to Rae full credit for having

anticipated him in the statement of this part of the agio theory. But he maintains that, so far as the influence of the technical factor is concerned, not only is Rae's treatment at variance with his own, but that Rae's is wrong and his own right. In our own opinion, Rae's treatment, though not entirely free from the defects mentioned by Böhm-Bawerk, is actually nearer the truth than Böhm-Bawerk's. The latter's theory of the so-called "technical superiority of present over future means of production" will prove, on close examination, to be entirely illusory. We shall ourselves attempt later in a book on capital to justify this view.

After a brief introduction and a short chapter devoted to the history and present vogue of the agio theory, Böhm-Bawerk proceeds to discuss the recent additions to, or defenses of, the theories of interest which he had criticised in his original volume, namely, the "use" theory of interest, the "abstinence" theory, and the "labor," "productivity," and "exploitation" theories. Special interest attaches to the discussion of the abstinence theory and to the replies to Marshall and Carver, who maintain, in essence, that the abstinence theory and the agio theory are at bottom the same. Böhm-Bawerk's criticisms of these two authors do not seem altogether just, but, on the general proposition that the abstinence theory and the agio theory are quite distinct, we think he has made good his case. To say that future goods are undervalued in the present was claimed to be essentially the same as to say that waiting for the future goods is a sacrifice. To this Böhm-Bawerk replies in many ways. One of his pithiest illustrations is that, in summer, a man will undervalue an overcoat for the ensuing winter, but he can scarcely be said to suffer any *sacrifice* by being forced to go without it in summer!

We find in this book the same vigorous style and the same incisive mode of statement which Böhm-Bawerk's earlier works display, and every reader will look forward with eagerness to the long promised revision of the author's other and more constructive work, the "Positive Theory of Capital."

*Principles and Methods of Industrial Peace.* By A. C. Pigou, M.A., F.S.S. New York: The Macmillan Company, 1905: 240 pp., \$1.10.

*Industrial Conciliation and Arbitration.* By Douglas Knoop. London: P. S. King and Son, 1905: 241 pp., 7s. 6d.

Of these two recent volumes on the vital question of industrial peace Mr. Pigou's will be the more interesting to students of economics, and Mr. Knoop's to men of business who read anything more permanent than the newspaper or the monthly magazine. Mr. Pigou states his purpose to be to answer the questions "What *ought* Arbitration and Conciliation to do" and How *ought* they to do it," a problem of practical philosophy. Mr. Knoop is, for the most part, contented with history and exposition, and when he becomes dogmatic his judgments seem to have small value.

Mr. Knoop is a Shuttleworth scholar and Cobden prizeman of the University of Manchester, and Professor Chapman, his instructor, writes a brief introduction to this "able and valuable essay," without committing himself to the essayist's views on debated points. Mr. Knoop's industry will not be questioned by any reader; the clearest evidence of it is the bibliography of some forty pages which some readers will think worth, by itself, the high price which the publishers have set upon the book. His method of using his sources is often such as to disguise his great indebtedness to some of his immediate predecessors, on whose shoulders he stands. This, however, is a common characteristic of the college prizes and prize essays of which so many—too many, one might well say—are printed these days, with all their crudities upon their heads. Mr. Knoop is evidently not thoroughly acquainted with the English language and his style has needed revision by a sterner eye than the reviewer's one which has read the proofs. The chief value of his 241 pages of text, for persons at all familiar with the subject, will be the survey of the voluntary systems of arbitration and conciliation now in force in Europe. When he turns to the so-called "compulsory arbitration," he relies upon the example of New Zealand for the most part before New Zealand had begun to move in this direction. These judgments coincide with the general condemnation of state regulation of labor which is the result of the very inadequate handling of the facts of the case, and the reader is therefore fully prepared for the author's prophecy: "If any great manufacturing country is to avoid industrial suicide, it cannot do better than

adopt compulsory arbitration." Mr. Knoop is a Cobden prizeman, and Cobden prizemen would do wisely to avoid prophecy, in view of Cobden's remarkable declaration that the ten-hour bill of 1847 would stop every factory in England. He would do better to explain why the United States have high prices as well as New Zealand, if in the latter country "compulsory arbitration" is responsible for them! The reliance which he places upon the opinions of New Zealand employers, dismissing practically all disinterested evidence in the case, makes investigation a sadly easy business.

Mr. Pigou is Girdler's University Lecturer in economics at Cambridge University, and his volume is the result of much revision of previous material. He does not need to apologize for the analytical character of his study, for he is plainly well informed concerning the important facts of the situation. He has suppressed in the text, the preface tells us, the "technical apparatus," mathematical and geometrical, required for the solution "of the more complicated parts of the main problem"; twenty-five pages in appendices present "some parts of the logical machinery employed." Mr. Pigou is evidently a coming man in economics; his general judgment is keen and vigorous, and he has remarkable powers of exposition, among which a good literary style is not the least. None the less, and with due respect to Professors Marshall and Edgeworth, his chief inspirers in the line of geometrical economics, one must say that nowhere else does such reasoning appear more absolutely barren than in discussions of industrial peace. Thus far, at least, I have been unable to see that the economic reasoner extracts from his careful labor on curves and diagrams an iota of truth which he had not assumed, or put in, at the beginning. I once heard Rev. Dr. Thomas Hill demonstrate to his own satisfaction the utter folly of Darwinism by geometrical argumentation. Since listening to that excellent example of a good method out of place, I have been a thorough sceptic as to the solid value of mathematical reasoning misapplied—as for instance, in economics. Certainly peace in industry is a *moral* (not a mathematical) matter in the fullest sense of the adjective, and not an affair to be mastered geometrically—as to either principles or methods.

Mr. Pigou's most important chapter, on Wage Fluctuations, is highly valuable for its fulness of subtle and piercing comment on the equities of both sides of the labor contract. But I cannot see that its value is due in any degree to mathematical deduction. Mr. Justice Ellison (as quoted by Mr. and Mrs. Webb, *Industrial*

*Democracy*, p. 229), on reading it, would not need to qualify his emphasis on good sense and fairness in arbitration, other principles being practically nowhere. Mr. Pigou shows precisely these two qualities in his philosophical attitude toward "coërcive intervention" by the state in labor disputes. He classifies in a helpful table (p. 193) sixteen possible forms of "compulsory reference." His practical conclusion is that "the next step in a campaign on behalf of industrial peace should be the promulgation of some scheme for the coërcive reference, at the discretion of a Minister, of the differences arising in certain specified industries to a Court whose awards should depend on the sanction of informed opinion. A scheme of this kind . . . may be said in England . . . to lie within the bounds of practical politics." I should regard this scheme as more valuable for the "possibilities of future development and a gradual advance toward a better condition of things" which it favors than as important for any substantial improvement in existing conditions. Public opinion has been sufficiently pronounced in the recent teamster's strike in Chicago, for instance, but it is surely a bungling instrument to rely upon mainly (Mr. Knoop, by the way, should speedily elide his praises of Mr. J. C. Driscoll from his plates!). But Mr. Pigou's entire attitude toward the New Zealand situation and "coërcive intervention," *per se*, is happily remote from the insular contentedness and the bigoted *Manchesterthum* of Mr. Knoop, which, we trust, he will outgrow. New Zealand and its labor policy will deserve respectful consideration from economists and statesmen for some years yet!

N. P. GILMAN.

Meadville, Pa.

*Protection in Germany, a History of German Fiscal Policy during the Nineteenth Century.* By William Harbutt Dawson. London: P. S. King & Son, 1904—pp. 259.

There is surprisingly little material in English for the study of the commercial policy of Continental nations, and every additional historical or descriptive account is, therefore, welcome. Mr. Dawson has brought together in this small volume many facts not easily available elsewhere. It must be admitted, however, that in his treatment and interpretation of this material he has not been as successful as in his well-known studies of German socialism. The present volume shows signs of hasty work and of failure to digest the facts. In discussing the policy of Frederick the Great, the



author remarks, "the exportation of raw material was forbidden in the interest of cheap production, for so much of economic insight he possessed, in spite of his mercantilistic fallacies, as to know it to be a sounder policy to send abroad manufactured goods than raw material since in the former case the foreigner exchanged his own product to a large extent for labor. . . ." Since this idea was a fundamental doctrine of mercantilism, it seems strange to credit it to Frederick "in spite of his mercantilistic fallacies." Again (p. 7) he attributes the distressful conditions of the decade following 1786 to "the abandonment of a great and salutary tradition" and the absence of Frederick's "ardent and unwearied solicitude for the economic welfare of the nation," while on the next page he quotes with approval the judgment that "the principles of the mercantilistic system had paralyzed trade." All this leaves the reader in confusion as to the author's idea of the real nature of mercantilism, its good features and its bad features.

The book, however, is concerned primarily with more recent history and furnishes a sufficiently accurate chronicle of the different tariffs without much attempt at interpretation. In the later chapters the effects of protection are discussed. The difficulty of the task of separating the tariff as a specific cause from the multiplicity of causes affecting a nation's trade is well known, and due allowance should be made to any writer who undertakes it. Even after making such allowance, however, the reader cannot escape the opinion that he is presented with a somewhat hasty conclusion from a limited survey of the facts. In the chapter on the conditions of labor, the author falls into the common error of laying his greatest stress on the contrast between the position of the English laborer and that of the German, instead of the relative condition of German labor at two different periods. If he could have seen Professor Ashley's recent book on the progress of the German working class before publishing his own, his treatment would doubtless have been greatly modified. Furthermore, these chapters contain conflicting statements that leave the reader at sea as to the author's real meaning. On page 192, for instance, we read that wages rose under protection, but "so also did the cost of all the commodities of daily use," while on the next page we are told that 100 shillings in the years 1897-1901 would buy as much as 112 shillings in the years 1877-1881.

It is to be regretted that the author did not include a more adequate account of the course of tariff opinion in Germany. Of

List, whose teachings have become of striking influence in recent years, he has no more to say than that he was "theoretically a free trader, but considered the doctrine of Adam Smith as a counsel of perfection," certainly a far from accurate statement put thus baldly. He refers in two brief pages to the political and social arguments that have been advanced in favor of high corn duties, but gives no idea of the vigorous discussion that has been carried on over the question of the future of Germany as *Agrarstaat* or *Industriestaat*. A chronicle of tariff history need not include a discussion of theory, but it may be said that the protective movement in Germany cannot be understood in its real aspect, if the student does not keep clearly in mind its relation to German politics and also to the broad social ideals and policies of the German people.

Carelessness in proof-reading has been responsible for a number of errors. On page 100, 1902 should be 1892; p. 104, 1900 should be 1890; p. 106, 1901 should be 1891; p. 107, 1901 should be 1891. If the area of the Customs Union given on p. 19 as 7,719 square miles is in German measurement, it should be multiplied by about 20 to give the English equivalent.

H. C. E.

## RECENT LITERATURE.

The high standard which the University of Wisconsin set in the first volume of its series on history and political science, comprising the studies by Libby, Bullock, and Coffin, has been maintained in the series devoted entirely to history, to judge from the specimen before us. "The King's Household in England before the Norman Conquest," by Laurence Marcellus Larson (Madison, Wis., 1904), is an admirable study of a subject beset with great difficulties. The author bases his conclusions on the usual historical sources of the early English period, the laws, charters, and narratives, on old English literature, on Norse poems and sagas, and on the writings of modern historians. The use of this material has required not only linguistic training considerably greater than that involved in the usual historical dissertation, but critical and constructive ability of a high order, and Dr. Larson deserves warm praise for the skill which he has shown.

In a volume of Sonnenschein's Social Science Series, "The History of the English Corn Laws" (Sonnenschein, Swan & Co., London, 1904), Prof. J. S. Nicholson publishes a study which he had presented in a set of lectures on the Gilbey foundation at Cambridge. He takes the term "corn laws" in its broad sense, as including regulations on the internal as well as on the foreign trade in grain; he seeks to describe the main features of these regulations, and to furnish the reader with an appreciation of their significance under the conditions of the period in which they were enacted. A book of 188 small pages furnishes but scant space for a history of grain policy from the fourteenth to the nineteenth century; and though the author has aimed at "a positive historical manner" he has had, of course, to speak for the facts, instead of letting the facts speak for themselves. In four chapters he considers the interests of the consumer, the interests of producers, the interests of public policy, and the general results. He judges the past with sympathy and moderation, but finds in it no proof that England can now better her position by reverting from the present policy of free trade. The book is a useful treatment, in popular form, of a subject always of historical interest, and now closely connected with a topic of the day.

Mr. Everett P. Wheeler in his "Daniel Webster, the Expounder of the Constitution" (New York: G. P. Putnam's Sons, 1905), has passed in review the great constitutional cases in which Webster presented arguments. In illustration of Webster's methods of

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We have come to expect two or three books annually from the versatile M. André-E. Sayous, who seems to have taken as his motto, "Wherever you see an economic phenomenon, describe it." Whether it be a strike in Marseilles, the relation of mining to politics in Wyoming, or a reform in the Berlin stock exchange, he appears at once on the ground and presents a report with remarkable promptness and facility. His latest contribution is *Le Marin Anglais* (Paris: L. Leroze et L. Tenin, 1905, pp. 163), which presents the results of an investigation undertaken in behalf of the *Fédération des Industriels et des Commerçants Français*. In it he deals purely with the internal organization and social conditions of the British merchant marine, and his fair-minded description will be useful to those who wish a brief review of the character of British seamen, their organizations, their relations to officers and owners, their legal rights and duties, their wages and standard of living. His account is inevitably somewhat documentary in character, and for this very reason supplements, while it does not compete with, the more vivid and intimate descriptions of such writers as Mr. Bullen. The general character of Jack and his manner of life are probably better known to the public than is the case with any other class of workers, but the author's account of the low wages and precarious life of the officers strengthens the conviction that England's mastery of the sea has been the result of an instinct which is deeper even than the economic motive. The reader would have welcomed a fuller discussion of the question, how far the latter motive is asserting itself in bringing about the substitution of foreigners for natives both in the cabin and before the mast. Especially interesting is the discussion of the growth of unionism among sailors and their struggle for the regulation of the contract of service, a struggle, as the author points out, which is necessarily limited to the preliminaries on land, since even the most radical unionist has not dared to propose a crew organization for dictation of conditions at sea. However far industrial democracy may spread on land, the sea must remain the final stronghold of autocracy. M. Sayous, however, is of the opinion that English sensitiveness for the protection of the individual has already put such restrictions on the officer as to endanger the discipline necessary for safety.



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Vol. XIV. No. 3.

November, 1905

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NOVEMBER, 1905.

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COMMENT.

*Corporations and the State; International Labor Legislation.*

THE attention which the governmental regulation of railroad rates is likely to receive in Congress this winter has led the editors of the YALE REVIEW to print two articles on the subject in the current number, one presenting the arguments in favor of such regulation, the other, those against. Professor Bascom of Williams College, who favors the extension of the powers of the Interstate Commerce Commission, is well known as a veteran student of social and political problems, and his views, representing in a sense the protest of the New England conscience against some of the abuses of our transportation system, are entitled to great weight. Mr. Willcox, the president of the Delaware and Hudson Company, combines academic training with long experience in railroading and great familiarity with the legal and practical questions involved in the work of the Interstate Commerce Commission. His arguments, based as they are upon the facts of the case, cannot fail to impress the reader.

This question is, however, in fact but a part, and a comparatively small part, of a much larger question involving the entire attitude of the government towards large corporations. On this general question there are two extreme views. On the one hand, there are those who advocate governmental ownership, either of all instruments of production or of all of those which partake of either a public or a monopolistic character. On the other hand, there are those who oppose any governmental intervention, however mild, as an interference with the rights of private property. It is instructive to note that in the present discussion there are comparatively few advocates of either

extreme. Few of the most earnest critics of the trusts advocate socialism. Many corporation presidents recognize the desirability of some check upon the abuses that are liable to arise in corporate management. The controversy turns, therefore, not upon the question of regulation in itself but rather upon the kind and extent of regulation desired. In this connection the recent discussion of the trust problem by the German economists is not without interest to American readers.

At the annual meeting of the Verein für Sozialpolitik, held in Mannheim in September, the subject was discussed from all sides, and a particularly striking and radical paper was presented by no less an economic authority than Professor Gustav Schmoller. According to an abstract of his paper printed in *Soziale Praxis*, he opposed the state ownership of trusts, but advocated the fullest publicity with regard to their votes and the restriction of their jurisdiction over members, and he proposed that the state should, by the adjustment of the railroad tariffs and the customs duties, counteract the policy of the trusts with regard to prices and premiums on exports. He also recommended that the government should work in favor of compromises between sellers and buyers with regard to prices, and between trust managers and workers with regard to wages, and he suggested a change in the general corporation law, providing that in corporations capitalized at 75,000,000 marks and over the government should be represented in the board of directors, and that the excess of dividends over 10 per cent. should be divided between the empire and the state.

It is not surprising that so radical a proposition is said to have met with more dissent than approval, and in the absence of the text of the paper itself any discussion of its recommendations would be premature. One of Professor Schmoller's proposals has, however, a direct bearing upon the discussion regarding railroad rates in the United States. He apparently proposes to take advantage of the government ownership of railroads in Germany to discriminate against trusts in fixing rates. If the Interstate Commerce Commission had the power to fix rates, it is clear that the same means might be adopted in our country under the pressure of popular feeling to discriminate against trust-made products. Bad as have been the



effects of railroad discriminations, they are at least always held in check by a regard for the profits of the railroads themselves, and by a consideration of the fact that the prosperity of every railroad is bound up with the prosperity of the territory which it serves. But it is not inconceivable that, unless so limited as to be almost futile, the rate-making power might be used as a means of holding the trusts in check, and that the stick aimed at these corporations might actually hit the railroads. The complications that would arise and the conflicting interests that would be affected would be innumerable. An illustration of this is seen in the recent memorial addressed to the President by the representatives of leading unions of railroad employees, who seem to fear that the regulation of railroad rates by the government might cut down railroad earnings, and thus indirectly affect wages.

This question should, however, be settled not according to fear or prejudice, but according to experience, and, fortunately, the world has had a good deal of experience with regard to the determination, not only of railroad rates but also of prices. A careful study of this experience, such as that which has recently been published by Professor Hugo R. Meyer of the University of Chicago, is an indispensable condition of any sound convictions on the subject, and it is well that this topic is to be taken up at the meeting of the American Economic Association in December, and is to be thrashed out by economists in the scientific spirit. Professor Meyer himself, though beginning his study of the subject with a strong bias in favor of government intervention in industry, concludes, as the result of his study of the experience of Europe, Australasia, and the United States, that the rate-making power cannot be safely entrusted to the Interstate Commerce Commission.

In the last number of the *YALE REVIEW* the subject of uniformity in the labor legislation of our States was briefly referred to in connection with the meeting of the International Conference on Labor Protection. The subject is of sufficient importance to justify a reference in this number to a very practical means of promoting not only uniformity between the several States, but also uniformity between the different industrial nations of the world. European economists are beginning

to appreciate more and more the importance of united action in this respect. Important landmarks in the progress of thought on this subject have been the International Conference on Labor held in Berlin in 1890, the formation of the International Association for Labor Legislation in 1901, the International Labor Treaty between France and Italy made in 1904, and the Bern Conference of May, 1905, to which reference was made in our last number.

The International Association has maintained since 1901 a permanent bureau in Basel, which is under the direction of Professor Bauer, and has a staff of a dozen or more experts, aided by nearly ninety correspondents in different parts of the world. The scientific work of this Bureau is of the highest importance to students of economic legislation throughout the world, but has thus far received comparatively little attention in this country. The membership of the Association has, indeed, until recently been confined to continental countries, Austria, Belgium, France, Germany, Hungary, Italy, the Netherlands and Switzerland. In February, 1905, a British section of the Association was formed, and a Japanese section is contemplated. If an American section could be formed, several important advantages would be obtained. In the first place the valuable bulletins of the International Labor Bureau in Basel would probably be published in English as well as in German and French. This would make them more accessible to the several bureaus of labor statistics of our States, and would thus secure indirectly a wide diffusion of their contents. The importance of these bureaus on legislation has been well shown in a recent number of the Labor Bulletin of Massachusetts, in which an enumeration of the various laws recommended by successive chiefs of the bureau is given. Similar recommendations would gain in weight and effectiveness, if they could obtain the backing of an American branch of the International Association. Then a strong support would be given to bodies formed in the United States for the purpose of furthering legislation for the protection of children, while finally the general public would become better informed regarding the effects and possibilities of this kind of legislation, much of which is still in an experimental stage.

## RAILROAD RATES.

THERE has hardly been during the past century, with all its startling events, a more striking development than that of railroads, or one in which more social interests were involved, or one in which the action and reaction between the community and its instruments of commerce has been more rapid. While the sense of achievement in which Americans so delight has been fully met in this growth of railroads in productive power, evils of serious magnitude have been interwoven with it. When, under sober standards, we measure up the results in social prosperity, we are compelled to place over against a startling accumulation of wealth, a disturbance in the just methods of distribution, and a sense of injury between classes, very threatening to democratic institutions. While those who are simply bewildered and astounded by the hum of activity are full of congratulations, those who would fain see all this labor transformed into a welfare spread widely among men, and showing itself everywhere as human betterment, are disturbed by some ominous signs of failure.

It is not surprising that, in the sudden transition from highways to railroads as the chief arteries of traffic, the obligations which had been slowly attached to common carriers should have been modified and partially forgotten. These obligations had grown up as a defence of the community against the negligence and exaction of those who, from the nature of their calling, were comparatively little under direct observation, and whose services could not readily be dispensed with. Common law slowly assumed claims on the one hand, and duties on the other, such as fittingly belong to the relation of shippers and carriers, and enforced them in behalf of the general welfare aside from any special contract.

The circumstances which were thus recognized as carrying with them peculiar obligations were much altered by the introduction of railroads, and were overshadowed by the novelty of the new method. Though the duties which lay between the

shipper and carrier were increased by railways, there were features in the new form of traffic which apparently made it more independent than the older form, and introduced an added sense of independence. The railroad was built and maintained by those who ran it, and who were in eager pursuit of remuneration. The management felt in each case that it had its own peculiar problem of profits to work out, and must be allowed a free hand in doing it. It was not dealing with a road made by the public, open to the public, and whose service could be indefinitely extended, but with a road, private in construction, costly in equipment, and whose entire returns must be met by the rates charged on the traffic which sought its aid. This sense of special outlay, private property, and immediate profits naturally obscured for the management those general relations which define the duties of a common carrier and take the place of the changeable conditions and constant pressure of a new form of commerce. A strong assertion of the power of management grew out of the new circumstances which had fallen to it. This liberty it has exercised to its utmost limit, with a neglect of the rights of shippers and with disastrous results to the people at large.

Yet a little consideration shows us that the tacit contract which the law assumed in the case of common carriers, far from being inapplicable to railroad traffic, had become more urgent and stringent than ever. While the railroad owed its construction to private capital, the possibility of the road lay wholly in the public will expressed in its behalf. The charter under which it was built and operated was granted and safeguarded by the public in primary reference to its own interests. In many cases public funds as well as public power were granted to the road. It was taken from its origin into the special service of the community and under its special protection. While the individual played a more conspicuous part in the inception of the road, his activity availed nothing without the concurrent activity of the people at large.

In the case of the common carrier his obligations were made to spring spontaneously from the general circumstances under which he performed his work. In railroad management the obligations incident to the nature of the business are still farther

enforced by the concession, on the part of the public, of the very powers by means of which the road comes into being. To these claims the manager must submit his personal liberty. Looked at in these fundamental relations, the obligations of railroads to the community have increased beyond those of the simple common carrier. Not only do the necessities of the case define the duties and rights of carrier and shipper, in this case the carrier owes his very position to the community whose custom he is seeking.

The dependence of freights on railroads is also more absolute than in the case of the ordinary carrier. In reference to a large share of traffic, not only do railroads collectively have a monopoly, but each road has its own monopoly. President Smith's response, that if the passenger was not pleased with the rates established by the Louisville and Nashville Railroad Company he could walk,<sup>1</sup> indicates a most extreme misapprehension of his own relation and the relation of the road which he administers to the public. The railroad is and must be in most cases the sole medium of commerce to the people. This is its function, and a clear recognition of it defines its duties. The underlying contract which the law is ready to assume rests for its definition on this intrinsic and unavoidable dependence. The open, equal and diligent service of the railroad is demanded with far more urgency than that which constrained the common carrier, transporting freights along an open highway.

Moreover, the distances, urgency, rapidity, and constancy of transfers in the two cases bear no comparison with each other. In the measure of the immense superiority of the railroad must be the stringency of the claims resting upon it. Activities, exigencies, and rights have all become intense under circumstances never before paralleled and in no way to be modified. For the public carrier, under these conditions, to become refractory and exacting, to establish extreme rates, and confer special privileges, is to totally misapprehend the civilization of which he forms a part, to disrupt society, and strangle the commerce which it is his office to create.

<sup>1</sup> *The Power of the Interstate Commerce Commission and Railroad Discriminations and Industrial Combinations*, p. 7.



There is another consideration in the contrast of the earlier and later forms of traffic which serves to make still more imperative the duties of railroads. Freights have become a ruling term in many forms of business. They settle the possibility of the business itself. If the shipper cannot secure open, equal, and fair rates, he is driven from an occupation otherwise native to him. The manifold rights and interests which go with industry all hinge on the equity of traffic. Thus the claim for fair dealing ceases to be a special claim and becomes a general and fundamental one. Nothing can be done without it. Business turns upon it. Production demands as its essential condition of expansion free and fair terms of commerce. In the degree, then, in which railroads play a superior part in modern life, in that degree can that life demand of them, as a primary condition of industry, suitable, open and equal terms of traffic. To deny this claim is to strike at the foundations of general welfare, to enter on a process of favoritism which will issue in anarchy.

Railroads are akin in their social action to their physical aspects. There are few more striking expressions of the liberty and safety of power than an express train speeding on its way, and testing every moment the restraining force of its steel track. If it leaves the rail, the ruin is instant and complete. The wheels of commerce owe most of their rapidity to railroads, but the moment they break with the law of obedience to the general prosperity, disaster follows their movement, overthrow takes the place of order, and the extravagant wealth of a few replaces equable prosperity.

#### I.

Railroad management, excited by the speculative conditions which surrounded it, shaking off the weak restraints of common law, mapped out for itself a career of power in which the claims of the people played an inconspicuous part. The wrong became so extended and gross, that statute law intervened in 1887 to reduce the evil. The state of things which made this intervention of the legislature urgent is brought out in the Report of the Senate Select Committee, submitted in 1886. "Its" (railway service) "recognized benefits have been attained at the cost of the most

unwarranted discriminations, and its effect has been to build up the strong at the expense of the weak, to give the large dealer an advantage over the small trader, to make capital count for more than individual credit and enterprise, to concentrate business at great commercial centres, to necessitate combinations and aggregations of capital, to foster monopoly, to encourage the growth and extend the influence of corporate power, and to throw the control of the commerce of the country more and more into the hands of a few.<sup>1</sup> The points emphasized in this statement indicate how completely the claims of the public, associated with open and moderate rates, had been disregarded. Circumstances had led up naturally to this oversight of the rights of shippers. In the early years of the building of railways the public demand for these roads, at almost any cost, was urgent. Stock was taken, less as an investment than as a means of securing the communication by which all forms of business were to be quickened. The public in its collective capacity, as towns, cities, states, and the United States, was anxious to help on the movement. Criticism of methods, watchfulness over stock, were neglected, and all were satisfied if the roads under contemplation were built. Management was in the foreground with a free hand. Many of these roads anticipated the demands of commerce and were not immediately profitable. This result tended still farther to increase the indifference and the neglect of stockholders. Roads changed hands with a loss of first investments. This period of fluctuating values, yet of large possibilities in a not very distant future, was exceedingly stimulating to enterprising and speculative management. Rarely have such large values been open to such easy acquisition. Managers became at once bold and irresponsible, and gained offhand great profit and power. Manipulation and intrigue were almost forced upon them by conditions so pregnant with opportunity. The sense of responsibility to the public, a public not aware of its claims and that had no way of enforcing them, was quite in the background. Management built up, pulled down, and combined roads to suit its immediate purposes. Stockholders and shippers were respected only in the degree in which they could force attention.

<sup>1</sup> Page 7.

The general moderation of rates which went with the movement rested on reasons other than its own fitness. The speculative railroad temper, towering as it was, was matched and over-matched by a kindred temper awakened in many branches of business. Great combinations were in the process of formation, and were growing apace. Exacting ideas and methods on this side met and overmastered similar ideas on that side. These two forms of enterprise, equally eager, equally contemptuous of the public, were prepared to affiliate with each other. The corporation, the trust, must have low rates, and the railroad must have a command of commerce. In this treaty of offence and defence the railroads showed less power than could have been expected of them. They were never able to confront leading shippers and charge rates in which their own interests were the first consideration. They accepted a service in which a submissive temper was more conspicuous than a masterful one. The one thing in which the confrères agreed was in breaking down open and equal rates. The railroads conceded low rates, and then still farther reduced them by discriminations. The illegality of the act tended to increase the weakness of those who submitted to it, and make the combination one of constantly renewed depredations.

The remedies which the common law offered to those injured by this despotism of leading shippers and carriers were utterly inadequate. The weak shipper could only retain what crumbs had fallen to him, by gentleness of temper, by watching the game and entering into it as best he was able. An effort to secure redress meant exhaustless vexation and ultimate ruin. The courts, in their slow, expensive, and inadequate methods, were as unsympathetic as the statues of the gods whose cold feet are embraced in vain by the victims of wrong.

In this field, so satisfactory to the strong, so intolerable to the weak, the Interstate Commerce Commission was introduced, charged with the duty of securing open, equal, and reasonable conditions of traffic; of making the railroads, in all their ramifications, the true highways of commerce; of establishing a service sound in its impartial and conscientious attention to all claims. Railroad ministration was to be like that of the air, which receives all gases, noxious and innoxious, and converts them into a wholesome atmosphere.

The task of the Commission was not the hopeless one of redressing past injuries, but the promising one of securing better terms for the future. A return to fair conditions of transfer was the only issue of any real moment. There has been a disposition to look upon the Commission, not so much as a means of giving honest terms of commerce, as of correcting under existing forms of law the evils which had come to prevail; to regard its action as punitive rather than preventive. As a matter of fact the wrongs involved in discriminative and excessive rates cannot be removed by punishment. They have grown up in the presence of the courts, and under the machinery of the law. It is always difficult to turn punishment into improvement, and it becomes impossible to do so when the punishment is only a bare contingent. A pound of this remedy is not worth an ounce of cure.

The railroads occupy the field into which the shipper must enter, keeping himself on working terms with those who control it. No substitution or evasion is possible. A quarrel means immediate embarrassment, which may easily become speedy ruin. A railroad, with its large resources, its command of legal service, and its exposure to multiplied complaints, is tempted to adopt the policy of making no corrections and defending every case. The shipper, on the other hand, is deterred by the hard struggle and long delay before him from pushing his obvious claims. The contest is, from the outset, a wholly unequal one, and the more unequal in the degree in which the shipper is pursuing his own business.

The expense and delay incident to legal redress, even if it is finally secured, are so great as to more than compensate its gains; especially as it gives no safeguard against the repetition of similar wrongs. Remedy by law is thus, in the great mass of cases, beyond the reach of the sufferer. The evils of litigation are of so critical a character that he would hardly thank the Commission for involving him in them.

In not a few instances the real sufferer from unreasonable rates has no legal redress. In farm produce some intermediate agent more frequently purchases and ships the products of the farm. This agent, who may have a case against the railroad,

has no interest in pushing it, and is under no obligation to dress the balance between the carrier and producer. One who has suffered from a corner in wheat might as well go in search of a legal remedy as the producer of wheat who has been plundered by railroad rates. It is one of those cases in which equality of rights must be established and maintained by the community at large, or the just terms of production disappear. The man under the wheel can do nothing to arrest its motion.

It was under the notion of prevention, rather than under that of punishment, that the interstate commerce law started out, while it is to the ineffectual effort of punishment that the railroads wish to force a return. For ten years the Commission acted under the idea that it had been established by the legislature to exercise within definite limits and for a specific end administrative power, that its primary purpose was to correct in the most direct way the evils which had arisen in rates, and to restore the conditions of commerce to their normal form.

## II.

When the Supreme Court decided in 1897 that the Commission had no right to prescribe rates, but must satisfy itself with pointing out the wrong in existing rates, the Commission began to seek by fresh legislation the power which it had hitherto exercised, and which it deemed essential to any reasonable success in its work. This effort it has prosecuted with increasing importunity to the present time.

The proposal is that in all cases brought before the Commission by complaint and duly considered in the presence of both parties, the Commission shall have the power to determine the proper rate, and that this rate shall be immediately obligatory, subject to any later correction by the courts under the complaint of the aggrieved party. Redress thus becomes adequate and immediate, and the party doing the wrong, if not satisfied, is sent to the courts for final adjudication. This method puts the measure as one of redress on its feet in the most simple and sufficient way, and the legislative purpose of the act begins at once to be met. Nothing would seem to be more obvious in itself or more



directly called for than this form of correction. Any other action serves to baffle the law and prolong the confusion it was designed to remove; to overshadow the Commission with such hopeless impotency as to render its farther existence of no moment. If a searching and adequate examination of the cases brought before the Commission is not to issue in a correction of rates, why should such an inquiry be instituted? That the labor of such an investigation should be undergone, and then, at the very moment of its culmination, be thrown away, and the whole subject be remitted to the confusion of some possible but improbable redress, is to stamp with failure all the processes which have led up to this result, and to make the Commission a costly means of doing nothing. The desire of the Commission for sufficient power to make its inquiries a means of immediate correction is so inevitable and natural as to call for no justification. That toward which the entire investigation tends is a discovery of the suitable rate, and this is its only sensible finish. To make this pursuit of needed legislation a reproach to the Commission, as if it were a selfish seeking of power, is so obviously wrong as to react on those who thus represent it. The railroads in thus attacking the Commission fail to see how worthy things are worthily sought.

The ability, diligence, and conservative character of the Commission has been such as to claim public confidence, and prepare us to favorably entertain the wishes which are the fruits of its experience. If we give due weight to the great variety and complicated character of the cases which have come before the Interstate Commerce Commissioners, the lack of any precedents to guide them, the bold and dominating nature of the interests confronted by them, the obscurity of the facts arising from the interests of all parties to cover them up, the many ways in which a given transaction could be misapprehended and misrepresented, the subtle forms in which the admissible and the inadmissible blended with each other, we shall regard the success of the Commission as all that we had any right to expect. Discrimination in rates has been checked and reduced, the announcement of rates has become more explicit and reliable, and a disposition to recognize the claims of the public has been called out and extended.

It is true that the natural growth of the interests and influences associated with growing commerce has tended to this result, but the result has been hastened and placed on more intelligible and reliable grounds by the action of the Commission. Much of the alleged willingness of railroads to improve their methods has been the fruit of the Commission which they now regard as superfluous. Though the Commission, up to the present time, has been thwarted in its claims and embarrassed in the fulfillment of its purpose, the conditions of railroad traffic are more open and equal than at its formation. We are assured that complete success is possible, and is not very far off, if the same distinct and positive purpose which guided it in the beginning is still to prevail. The facts that the power to establish rates was successfully exercised in the first ten years, and that State commissions have been granted and have used this power, go to show how obviously and inevitably it lies as a central idea in every corrective process.

### III.

This is the more manifest when we look at the reasons rendered by the roads in resisting the claim of the Commission. The railroads are active in the opposition to the desire for increased power which has now been urged by the Commission for a series of years. While railroad lobbies have been for a long time a formidable obstacle to legislation in our States, it still behooves us to give due weight to the reasons which are urged on our attention against a control of rates by a Commission established by the people for this purpose.

The roads come forward with apparent heartiness against all forms of discrimination, urge their removal as the primary purpose of the Commission, acknowledge the importance of the object, and speak of it as being attained. It undoubtedly has been partially secured. If, however, we refer to the Report of the Industrial Commission made in 1900, Vol. 4, pp. 5, 6, and 7, we shall see that that Commission regarded this result as far from complete. The report of the Interstate Commerce Commission for 1903, pp. 18-26, reaches a similar conclusion. Interstate Commerce reports in the matter of proposed advances in freight rates show that leading roads are still granting rebates.

While giving due credit to any better temper which prevails in railroad management, we ought to use some caution in accepting a plea brought forward against an effort to make more efficient the Act to Regulate Commerce. If we consider the circumstances, doubt begins at once to attach to the good faith of railroads in this argument for a renewed prosecution of the multiplied forms of discrimination. It is these roads, and that quite generally, that have continued to disregard the law. The criminality in rebates, whatever it is, attaches to the officers of these roads, and for them to urge the public and the Commission to renewed activity in prosecuting this offence has the appearance of diverting attention from a more dangerous attack. Do the railroads feel that they can more readily escape in the confused processes of law than in the direct assault on rates?

As long as railroads are willing to make discriminations in any form, and shippers are anxious to secure them, a criminal prosecution is exceedingly difficult. Both parties to the wrongful act are united in the desire to conceal it. Other persons have no sufficient knowledge of it, or, even if by accident they possess such knowledge, they have no sufficient motive to make a complaint. An expensive and protracted suit is sure to bring immediate mischief, while its gains are remote and uncertain. If the railroads are urging in good faith a removal of all discriminations, they have only themselves to resolve on this measure, and to carry it through by their own action. We do not so much need more vigor in the law as more wisdom in its direction and more facility in its execution. Everything which makes the task of the Commission more difficult, which sends it off on a stale scent, which resolves it into a committee of good intentions and good counsel, serves to weaken the Commission and to leave the roads at liberty, as hitherto, to work out every form of inequality. The game of commerce still lies open to them to play as they choose. The establishment of excessive rates is one form of discrimination and prepares the way for other forms. To crowd at one point and yield at another is the very gist of discrimination. The railroads, in their eagerness for a legal suppression of rebates, lay themselves open to the suspicion of provoking an attack at an impregnable point, and thereby covering a weaker one.

While the management of railroads exhorts the public to "stop illegal abuses drastically", it also urges it to "avoid action which will affect savings put into railroads in good faith." This later exhortation has something of the same double character as the earlier one. They both assume that the railroads, in the present controversy, maintain an honest, adequate, and straightforward attitude. They desire that old abuses should be removed, and that no new one should arise. They are anxious that a fair chance should be given to stockholders who deserve the good will of the public. This is undoubtedly a just sentiment, but in expressing it the management forgets who it is that has most frequently endangered the interests of honest stockholders. How often in the schemy, speculative handling of roads have the interests of stockholders, equally with those of the public, been overlooked, and their gains and losses been made subservient to the personal interests of managers? The safety of the honest stockholder is found in a sober handling of railroads, reconciling their interests with the interests of the public, and so laying secure foundations of prosperity. The losses of stockholders arise from the fluctuations of stock associated with a discriminating and speculative policy, rather than from any unreasonable restraints laid upon railroads by the public. Stockholders are but a small fraction of the people, and have no claim for a freedom in the use of their property which subjects commerce to unreasonable methods and rates. It is not wise to set up any such claim in their behalf, nor does it express correctly the real facts of the case. There is no disposition on the part of the public to reduce the value of this form of investment, but rather to increase the safety of the roads and the safety of the people as one indivisible fact.

It is further urged that the establishment of rates is an unwarrantable interference with private property, waiting to be handled as those who own it see fit. This assertion revives the whole question of how far railroads are private property, and what are their true relations to the public? Railroads hitherto, in their special rates, evasions, and concealments, have assumed the theory of private property. It is against this assumption that the Interstate Commerce Commission was established. The

very problem we have in hand is a reconciliation of private with public interests in all that pertains to railroads, their construction, management, and rates. In this controversy private property is no plea for public abuse. The true service of railroads to their constituency is the primary question, and this settled, private rights make their appearance. The arguments urged against strengthening the oversight of the people show a mistaken and uninstructed temper in railroad management, and presage no good for the future. We can hardly avoid charging this temper either with profound ignorance or profound arrogance. It is like the confident appeal of a tyrannical trust to liberty, an appeal which identifies liberty with its own excessive claims.

It is affirmed that giving the Commission the right to establish rates in case of complaint is equivalent to giving it the power of determining all rates, a power monstrous in its dimensions and which experience has in no way prepared it to exercise. The very excess of this objection goes to show the unreasonableness of the state of mind from which it proceeds. The Commission seeks the power, in case of complaint, to establish a reconciling rate, subject to the later action of the courts. Only a small number, and an increasingly small number, of rates would be likely to be made the ground of complaint. It is not assumed that the railroads are always, or even generally, in the wrong. The majority of rates would remain undisputed in the hand of the roads. Nor would the tendency be to increase complaints and extend intervention, but rather the reverse. Principles and precedents would soon emerge which would serve to guide the roads and restrain complaints. An experience which lies between the shipper and the carrier, an experience ever more open and more able to take care of itself, is what we need and what we should be likely to secure under the action of the Commission. As long as the carrier can do as he pleases, no reconciling methods will appear. The exercise of power under the law would become less and less conspicuous by its reasonable use and quiet acceptance. An inquiry on the part of the Commission which comes to nothing is in the highest degree exasperating. One which shapes results is instructive and quieting.



An argument occasionally urged is exceedingly disingenuous. It is said that the majority of the cases that have been carried to the courts have been decided adversely to the Commission. We are left to make the inference that the judgments of the Commission and of the courts on the merits of the case are opposed to each other. This assumption is by no means correct. The conclusion to be drawn lies in another direction. Most of the cases in which the Commission has not been sustained have turned on an interpretation of their powers under the defining act. The Commission has favored a liberal rendering of them, one that would enable it to do the work assigned it. The courts have given a restricted rendering, and have thus repeatedly disallowed the power involved in an action of the Commission. This fact makes for the legislative correction of the establishing act, not against it. It certainly is no reflection on the wisdom of the Commission, and merely opens the whole question which lies between the public and the railroads.

Some cases have been decided adversely by the courts on the ground of new evidence presented in the trial, evidence not before the Commission. This greater fulness of the defence before the courts has arisen from the fact that the roads, in neglect of the Commission, have failed to present their case in its entirety, reserving themselves for the courts, whose decision was final. This fact simply discloses the partial and abortive service now assigned the Commission in the enforcement of the law. This position the railroads are wishing to make permanent.

Again, it is insisted that the establishment of rates by the Commission would restrain that freedom of action to which we owe so much, would "sap the strength and the courage of the individual." This argument proceeds on a false notion of prosperity. Great wealth, gathered into the hands of a few, is hostile to the public welfare rather than favorable to it. It is a just distribution, a wide dispersion of wealth, that nourishes the public strength. Our trusts, notwithstanding the enterprise which goes with them, are inimical to national welfare. The strength of a king may be more conspicuous than that of a people, but there is no real equivalence between them. A false

individualism underlies this argument. Individualism means, not great power in the hands of a few, but an equality of opportunity lying between the largest number of citizens. Those who heap up power at the expense of others are always and everywhere tyrants.

It is affirmed that the Commission involves a confusion of departments, legislative, judicial, executive. This view puts the principle of the division of powers in an extreme and impracticable form. While the departments of government are distinct, much the same habits of thought are demanded in each of them. The executive officer applies the law to special cases, and so at times may seem to legislate. He has frequent occasion to consider the bearings of action, and thus to cultivate a judicial temper. The nature of the duties he discharges will determine the breadth of liberty which should be conceded to him. He is not to be restricted in a manner that will mar his service.

The Commission, from the nature of the case, is called on to carry legislative action into a new and difficult field, and this compels it to judge of its true extension and to confront the judicial questions which arise under it. This exercise of authority is, however, none the less rooted in the legislative act, and may at any moment be modified or withdrawn by the body which conferred it. This use of power is also subject to the revision of the courts, and that constantly. The Commission can thus neither usurp nor escape the authority of legislature and judge, and is simply in the performance of work assigned it under these departments.

It is also urged with much apparent earnestness that the Commission, in establishing rates, will be found without a sufficient knowledge of the exigencies of the case, and will be unable to meet them. The constitution forbids "any preference by any regulation of commerce or revenue to the ports of one State over those of another." Yet rates are adapted to what are regarded as the reasonable claims of our principal ports. If the Commission undertakes this work of regulation, it may either violate, it is thought, the constitution, or disturb the established equilibrium of commerce. What a fortunate people we are in having railroad magnates who are willing and able to assume this

responsibility, and to relieve the people from the embarrassment of its constitution! It would seem as if a little common sense would teach us how to set this egg on end. If railroads, in creating new conditions, have made a new distribution of opportunities between our ports necessary, if existing relations between them are to be retained, then the spirit of the constitution allows the establishment of equalizing terms of commerce. If there is no such claim in the nature of the case, then neither magnate nor Commission should be allowed to establish one. A concession of this sort becomes an intrigue of carriers opposed to any sound theory of trade and of civic rights. Who is better fitted to inquire into this matter than a Commission, divested of all local interests?

The attitude which railroads are taking, that existing remedies are sufficient in themselves, or, if not sufficient, simply call for greater stringency, is very diverse from the view which gave rise to the Commission. If it is correct, we have occasion to beat a retreat and go back to the ground occupied prior to 1887. Doubtless the Commission has not been immediately and completely successful. Much of its profiting has been found in raising the questions now under consideration. To turn back when we have faced these difficulties is to waste our present opportunity and increase our future embarrassment.

#### IV.

Ideas generally entertained in reference to competition are now opened to correction. Competition has often assumed a form which has no justification either in ethic or economic principles. While we have looked to competition as a remedy against individual exaction, we have allowed it to assume forms in which an aggressive temper found full expression. Railroads have occasion, in reference to the community at large, to stand on terms of extended combination. They find their own prosperity in universal and concurrent ministration to production, and by this also they become a safe medium of the general welfare. The productive power of railroads is indirect as well as direct, and is found in the breadth of opportunity they bring to

the entire community. Railroads that jostle each other, that entangle commerce, that select and reject shippers in gratification of an immediate interest; railroads that undertake to control the forms, places, and persons incident to production, rather than to provide it fresh opportunities, are an obstruction, as well as an aid, to commerce. They may still do a marvelous work, but not the great work which falls to them. If they are to be a universal and impartial medium of traffic, they cannot pull that traffic hither and thither by their own competition, or build it up at one point while they repress it at another. The rivalries of business lie beyond them. They, like the air, are to be constant in service and pure in use. A private interest immediately becomes a conflicting interest and begins to erect barriers. As a matter of fact railroads have been handled speculatively and aggressively, and in ignorance of their true character and opportunity.

The salaries paid those who have the needed speculative reach, the sudden way in which special roads and special combinations come to the front, the economic clients which they raise up, serve to show how the true service of these avenues of commerce is submerged, and something put in its place more brilliant, more individually profitable, but far less beneficial to the community at large. If there is any class of men who need the nobility which bows habitually and gracefully to the public want, it is the officers of the railroads. Most of the exploits of management are in derogation of true honor.

Railroad officials, in common with so many others, are liable to be possessed with the idea that the immense gains of the few stand for national prosperity. A wide distribution of wealth among the people is the true test of welfare. There is so large a well-to-do middle class in the United States that the depredations of schemers are immensely profitable, and are not at once felt to be disastrous. Yet it remains true that those who profit chiefly by the labors of others are not the true leaders of industry, no matter how spectacular their achievements may be. The parasite remains a parasite, however robust the life on which it feeds.

Not only have railroad officers been in the thick of the contention misnamed competition, they have been forced by it oftentimes to play an unworthy and losing part. The great shippers have held the railroads in leash. They have entered into contracts at once illegal and unprofitable. The railroads neither singly nor collectively have been able to maintain a uniform and reasonable policy. They have played their parts in the midst of make-shifts, of adjustments and re-adjustments, which simply expressed the exorbitant claims of shippers. It is this school of railroad management, whose policy has become unbearable, that claims once more a free hand in establishing rates, leaving the officers of the law the old duty of ferreting out and running down offences that crisscross each other in every possible way. It is not easy to treat a claim of this kind with respect. It is that of a criminal laying down the procedure of the court that is to try him.

The training under which railroad management has come forward has in reference to sobriety and responsibility of method been of the worst. Not only have the conditions of action been novel, tempting, and urgent, but current economic ideas were not applicable to them. Competition was regarded as the primary defence against monopoly, and a supreme condition in safe production. Railroads brought important modifications to this notion, and disclosed the inapplicability in many cases of competition. Competition in the chief centres of commerce unsettled rates, and became destructive to all interests. The least responsible and least productive road gained the front by lowering rates in an unreasonable degree, and could only be driven back by rates which left behind them nothing but losses. Intense activity prevailed with no corresponding profit. The whirl of business was bewildering, and everyone's attention was directed to some immediate and narrow advantage. A corresponding temper took possession of shippers. In their feverish haste they lost sight of the ordinary rights and duties of trade, and employed methods without any foundation in fair dealing. They justified themselves by a custom which had been shaped to meet these strange and irresponsible circumstances. The most adroit and unconscientious leaders of commerce came to control



business. Those who would willingly have been more considerate of commercial obligations felt compelled to yield to the prevalent opinion, and to suit their actions to the aggressive measures of those about them. If railroad management is again to gain irresponsible power, similar causes will give rise to similar effects. A half dozen of the speculative leaders of commerce, who are already in the foreground, and least accustomed to plan for the general welfare under the conditions of sound trade, will possess complete control. The majority of managers will once more submit to methods they cannot successfully resist.

Owing in part to the Interstate Commerce Commission, and in part to the inevitable progress of events, combination has rapidly progressed in railroads and become a leading feature. As independent roads have not been allowed to shape with each other contracts on living terms, the process of absorption has taken the place of concerted action. What could not be done by pools might be done by union, and the larger systems have more and more extended their control as a ground of immediate safety.

All circumstances have favored the union of roads. Shippers have secured so many advantages that they have less occasion for rebates. A partial ownership of roads, terminal roads, various forms of cars owned by them, a negligent observation of the lading of cars, enable them to maintain their own mastery of trade. The railroads are largely in the possession of leading shippers, and the public schedule of rates is of less moment to them. A confederacy of shippers and carriers is now prepared to work out ends of discrimination by the union of roads, the rivalry of different systems, and an extended combination of interests both in production and commerce.

Freedom of railroads in advancing rates aids this movement. A higher rate of charges operates against the small shipper, and leaves the large shipper in possession of the advantages he has in various ways won by his direct interests in the roads themselves.

A tendency to this advance in rates is stated in the Report of the Commission for 1903, p. 14. With this as yet inconspicuous advance of rates comes a tendency, less open to observation, to

maintain rates in spite of the reduction of expenses incident to improved methods. If we consider the critical and exorbitant temper which pervades production, the participation of railroads in methods dangerous to the public welfare, and the speculative temper active in the construction of competing systems, we shall feel that the demand for the watchful oversight of the public is in no way abated.

### V.

When the managers of railroads are ready to affirm, what we would all wish to be true, that the ordinary methods of justice will henceforth be sufficient to secure the safety of every shipper, we may easily forget that the courts are more closely identified with the notion of competition as a sufficient safeguard of commerce than is the Commission. The offence of combination is against competition, is a conspiracy to secure special advantages. The Interstate Commerce Act is partly framed in subjection to this notion, as in the fifth section which forbids the formation of pools. It partly breaks with competition as a sufficient regulation of rates in the fourth section, bearing on longer and shorter hauls. In the interpretation of this section the courts and the Commission have widely differed. The Commission has regarded the competition which justifies a higher rate for a shorter distance to be that which arises between land and water carriage. The courts have thought it to include the competition of railroads with each other. This rendering of the law wholly baffles it. Its object was to protect the way station from exorbitant rates, as contrasted with through rates, governed by the competition at terminals. This clause is interesting as an effort to lift rates partially off the basis of competition and impart to them some color of proportion. This has been felt to be a desirable object, even when trade gave no means of securing it. The Commission supported the intrinsic equity of not allowing a heavier charge for a lighter service. The courts declared that in all cases the rates were rightly determined by competition. Thus the railroads were left to themselves to create conditions which made the law nugatory. The law and the attempted correction of the law disappear.

Way stations are at much disadvantage as compared with terminals, nor is this inconvenience solely the result of natural circumstances. The terminal may have lower rates absolutely as well as relatively, and thus draw to itself the manufacture and the trade of the smaller city. The way station is wholly dependent on the road that serves it. This dependence, in the urgency of competition, may become oppressive. The railroad is sure of the patronage of this intermediate territory and has little motive to guard its interests. This territory may be made by high rates to recoup the losses of through traffic. It may thus become the means of sustaining a commerce ruinous to itself. While a portion of this evil is unavoidable, the fourth section aimed at its reduction, and the Commission interpreted it in this temper. It involved an effort to soften the inequalities which railroads have created.

It can hardly be doubted that the Commission from its construction, from the watchful position which it occupies, and from its varied experiences in a large class of cases, is better prepared than the railroads, themselves interested and zealous parties to the strife, to lay down the true lines of reconciliation between carriers and shippers in the complicated and far reaching problems which arise between them. It is also better fitted than the courts, whose principles and methods of procedure are far more general than those of the Commission, far less adapted to the new conditions which have arisen, to lay down the rules of order which should lie between the public and these masterful rulers of commerce. The peculiarity, the novelty, and the extent of the interests involved in railroad traffic, render it fit that the entire subject should be submitted to persons trained in this line of inquiry. The Commission have no motives other than those which lie in the line of their duties to affect their action. There is no disposition on the part of the public to antagonize railroads. The managers of these roads are men of ability, sufficiently impressed with the importance of their service, and abundantly able to bring home to the Commission any failure in their work. There is here a keenness of perception and power of attack which the Commission would be slow to antagonize. The present discussion is sufficient to establish two points—the integrity of the

Commission and the difficulty of the task assigned it. The appeal of the Commission through the legislature to the people for farther support in their work is itself a normal result of the progress of events, and a significant expression of the attitude of the two parties to each other.

If the people are to have a voice in the adjustment of these commercial relations on which their equality of rights depends, they can never expect to have the issues involved more clearly put or capable of more simple adjustment. All effort up to the present time has brought out this claim of the Commission to a controlling voice in the adjustment of rates. A settlement of the duties and rights respectively of common carriers and the public, in whatever manner it is pushed, cannot fail to raise the question now before us. There could hardly be a more complete surrender of the people than to allow, at this stage of the discussion, the regulation of rates to pass permanently to the railroads.

The railroads, in the independence they claim, become identified with all the overshadowing power and wrongful methods associated with corporations. These interests in production and in commerce are so associated with each other, so assist each other, that the right of railroads to regulate rates means the predominance of that grasping, speculative temper which is threatening to swallow up the liberties of the people. There are few of these combinations which would not be found in sympathy with the interests and arguments urged by railroads in support of a power they have so long and so grievously abused. In the midst of this conflict between the usurpations of the few and the claims of the many, the people cannot afford to lose a position they have partially gained. Obstructions in the flow of our commerce may, like snags in a river, be the product of causes which no man or body of men designed. Yet, if these channels are to be opened, every obstacle must be cleared away. If the work is once thoroughly done, the current may be trusted to keep the stream open. If it is left unfinished, the same circumstances which gave rise to the difficulties will renew them, and a mass of unperceived, entangled, and accumulated interests will lie athwart our commerce and obstruct the development of our popular life.

Some are willing to regard the assertion that some form of socialism is the direct alternative of the correction of these abuses as an inadmissible threat. It is rather a presage of that which we unitedly deprecate. Revolution, unreasonable in form, is the product of resistance unreasonable in degree. It is the wearing out of patience in the pursuit of a legitimate aim. A check in the present stage of controversy means such a defeat as will tend strongly to a bolder, more dangerous policy. No form of combination against the public can stand, when the public is aroused to put forth its strength. The deluge is no more the result of damming up the stream than are extreme measures the consequence of resisting moderate ones. The safe lines of development lie open to us, and over against them are, we know not what, revolutionary devices. An arrest of the movement on which we have now entered means danger.

The views we have now urged may be thought fanciful, ideal rather than practical. If we remember how a similar completeness of adjustment of railroads to each other and to the public prevails in Germany, if we recall the fact that we are laying down the safe lines of development for many years to come, this impression will pass away, and a profound sense of responsibility take its place.

JOHN BASCOM.

Williams College.



## RATES BY FIAT AND EXISTENCE BY LICENSE.

**I**N 1904, each of the political parties adopted at its National Convention a platform setting forth its principles in detail. This was the authoritative declaration of the rules of public policy which were represented by each party respectively; upon the faith thereof the candidates asked the suffrages of their fellow citizens. To those who acted upon them, these assurances were a binding definition of what was to constitute sound party doctrine during the ensuing four years. What, then, did the platforms have to say in regard to the abuses in the railway service which have since been vehemently alleged to be so manifest and so flagrant? The fancied necessity for rates by fiat and business by law-suit is now vociferously urged as the paramount issue. What part did this scheme play in the election one year ago?

The Republican platform contained nothing whatever in regard to any abuses in the railway service, and not a suggestion that the powers of the Interstate Commerce Commission were not as large as the public welfare required. The Democratic platform, after the usual fulminations against trusts and combinations, proceeded, "we especially denounce rebates and discriminations by transportation companies as the most potent agency to promoting and strengthening these unlawful conspiracies against trade; we demand an enlargement of the powers of the Interstate Commerce Commission to the end that the travelling public and shippers of this country may have prompt and adequate relief from the abuses to which they are subjected in the matter of transportation." The Democratic party, therefore, limited its programme to the prevention of rebates and discriminations, while the Republican party did not consider that the condition of railway transportation was such as to require any action whatever. The matter was not mentioned in the letter of acceptance or the subsequent utterances of either candidate, and was not put forward by any campaign speaker as a pending issue.

Upon November 8, 1904, the Republican party was overwhelmingly victorious. As just said, no action in the premises had been suggested in its platform or by its candidate. Manifestly, therefore, the President and the Congress were elected with the understanding on the part of those who supported them that no railway legislation was contemplated by the party, or was necessary to the public good. It cannot be claimed that there is a great popular demand for, or a well considered public sentiment in favor of radical action which less than one year ago, in the excitement of a national election, was not thought of sufficient importance to warrant mention in either platform or by either candidate.

Less than one month after the election, on December 6, 1904, the matter of rate-fixing was, however, projected into politics by the President's annual message to the Congress. That part of the message which dealt with the subject of railway legislation was entitled "Rebates." It contained some general expressions on the subject of rebates and discriminations. The only suggestion which was made as to legislation was, however, that the Interstate Commerce Commission should have the power to fix railway rates. This was a complete *non sequitur*. The suggestion had nothing whatever to do with rebates, and the power to fix rates would have no effect in that regard.

So far as concerns the law-making power, the matter of rebates was fully and finally dealt with by the Elkins law of 1903, which renewed the prohibitions of rebates and provided for injunctions against them. The Interstate Commerce Commission has stated that no further legislation upon the subject is necessary or desirable (Annual Report of the Commission for 1903, pp. 10, 11; Report of 1904, p. 6), and has suggested nothing of the sort. None of the bills pending in the recent Congress contained any provisions bearing upon rebates, and if they had all been passed the position of that matter would not have been affected in the slightest degree. As was recently said before the Senate Committee on Interstate Commerce by Mr. Bacon, the leader of the rate-fixing propaganda, "so far as concerns paying

rebates, upon either the published rates or the rates corrected by the Commission, it (the Townsend bill) will have no effect whatever." It is clear, therefore, that the matter of rebates is not now involved; it has no relevancy to the legislation proposed, and no place in the discussion thereof.

As will be shown in detail, the present scheme is to give to the Interstate Commerce Commission power to control the commerce of the country by fixing absolute rates of transportation. The law-making power ordinarily prescribes rules of conduct for the citizen and leaves him free to carry on his affairs in accordance therewith. Here the plan is not merely to establish such rules of conduct, but also to seize future control of the property which they affect. It is one thing to prescribe that the price of a thing shall be reasonable; *but it is quite another thing, and practically a seizure of the property, to fix the absolute price at which it shall be sold.*

The article in support of this scheme, which appears in the present number of the YALE REVIEW,<sup>1</sup> consists for the most part merely in a statement of the distinguished author's opinions. The author thinks it fitting to apply to railway officials generally the term "magnates"; he states that the arguments contrary to his views proceed from a temper of "profound ignorance or profound arrogance," and some of them are "exceedingly disingenuous"; he says that the railroads have been handled "in ignorance of their true character and opportunity," and that "most of the exploits of corporate management are in derogation of true honor."

This sort of thing is without value. The very serious question at issue should be settled not by the opinions of anyone, but by the facts. The views of the learned author, so far as it is possible to define their foundation, seem based upon several assumptions. These are briefly that, (1) the power sought was formerly exercised by the Commission successfully and without objection by those whose rights were affected; (2) the power would not give the Commission complete control over rates but it could act only sporadically—here a little and there a little; (3)

<sup>1</sup> Railway Rates by John Bascom, YALE REVIEW, November, 1905.

past experience has shown the necessity of wresting control of the railways from their owners, and there is now urgent public demand for such action; (4) rates of transportation are exorbitant; (5) differences between localities are not due to natural laws and can be successfully dealt with by further legislation; (6) political rate-fixing will not injure the shippers, merchants and investors of the country.

These positions are supported by no detailed specifications of fact, so that the author's views are not susceptible of precise discussion. But the attempt will be made to show generally that such assumptions are without foundation.

The action of the House of Representatives last winter was influenced largely by the assertion made at the Republican caucus by the Speaker and the Republican leader that the power now sought had been exercised by the Interstate Commerce Commission, during its first ten years of existence, successfully and without objection on the part of those whose rights were affected. This statement has had wide circulation. It is wholly and even strikingly contrary to the facts.<sup>1</sup>

<sup>1</sup> An illustration of current misstatement of the facts was contained in Senator Knox's Pittsburgh speech of November 3, 1905. He said "exactly such a remedy Congress supposed it gave under the original act, to regulate commerce, and it was applied in a number of cases before the decision of the Supreme Court that it was not given by the act." At the hearing before the Senate Committee on April 24, 1905 (Testimony, Vol. II, p. 1026), Senator Cullom, who drew the original interstate commerce act, stated as follows the view of Congress when the act was passed. Senator Foraker said, "then as I understand it, you agree . . . that it was not intended to confer the rate-making power." In reply, Senator Cullom said, "there is nothing in the law that justifies the conduct of the Commission in making rates to take effect in future *and nobody ever pretended there was any such thing*; but they had power to determine whether a rate now existing is reasonable or unreasonable. Then it is for the railroad to reduce the rate in accordance with the order." Moreover, the Supreme Court held (162 U. S., 184) that no provision of the act warranted the assertion of any such intent, either expressed or implied, on the part of Congress. The facts stated in the text show that the Commission's assumption of such power was vigorously contested and uniformly disapproved by the courts. So that Senator Knox's statement was erroneous in every particular—Congress did *not* suppose that it gave the Commission rate fixing power, and that power was not applied in any cases where it was resisted.

Very shortly after its creation, the Commission decided (in 1887) that its power in respect to rates was to "determine whether *those which the roads impose* are for any reason in conflict with the statute" (1 I. C. R., 257), and this language was later cited by the Supreme Court of the United States (167 U. S., 510) as showing that the Commission did not deem itself to be possessed of rate-making power. In December, 1888, Mr. Henry Fink, who then was and still is a prominent railroad officer, in an official communication called the attention of the Commission to the fact that it had no such power.<sup>1</sup> In 1889 and 1890, the Circuit Court held, in substance, that the Commission had no power to fix future rates (37 Fed. Rep., 567; 43 Fed. Rep., 37); and the latter case was affirmed by the Supreme Court in 1892 (145 U. S., 263), and was later twice cited by the Supreme Court (162 U. S., 184, 197; 167 U. S., 479, 493) as having established beyond question, as early as 1889, that the Commission had no rate-fixing power. In April, 1891, the power was expressly denied in an action brought by the Commission in the Circuit Court to enforce an order fixing rates (Annual Report for 1891, p. 288), and when the case finally came to judgment this defense was sustained (74 Fed. Rep. 784). The brief for the appellants in the case first below mentioned, filed in the Supreme Court at the October Term, 1894, contained the point (p. 157) that "the Commission has no power to prescribe maximum rates." This point was sustained by the Supreme Court upon March 30, 1896 (162 U. S., 184), the court saying, "whether Congress intended to confer upon the Interstate Commerce Commission the power to itself fix rates *was mooted in the courts below* and is discussed in the briefs of counsel; we do

<sup>1</sup>Regulation of Railway Rates on Interstate Traffic, by Henry Fink, p. 128. The author of this work has had an experience in the railway service of this country extending over fifty-four years. For the greater part of this time he has held positions of the highest rank and responsibility, and his career has been most honorable and distinguished. The views following from such experience have infinitely greater value than any theoretical discussions, and they are expressed with a moderation and earnestness which make them unanswerable. No one who sincerely desires to be informed in these matters should fail to read the book and to weigh deeply the conclusions reached by one who speaks with such authority.



not find any provision of the act that expressly or by necessary implication confers such a power (p. 196)," and the same thing was again held with much vigor upon May 24, 1897 (167 U. S., 479).

The facts were, therefore, that the Commission assumed to exercise a power which was nowhere conferred upon it; that there was no time when the existence of such power was conceded by the parties whose rights were affected; that as soon as the question reached the courts the Commission was held to be merely usurping the power claimed, and that, nevertheless, it persevered until three decisions of the Supreme Court held that it was in error.

It is idle to seek to draw from these facts any aid for the rate-fixing crusade. The circumstances that the Commission made this colossal mistake as to its jurisdiction and tenaciously persevered until it was repeatedly held to be acting without warrant of law, lend no support to the contention that the power assumed should now be granted to the Commission.

What would be the extent of that power? It is claimed that general rate-fixing power is not sought, but the Commission is to have power to act merely sporadically—here a little and there a little. This statement was repeated in the Commission's report for 1904 (p. 8), and has been reëchoed by all the leading political rate-fixers with much fertility of iteration.

Yet this contention has so little merit that it may fairly be called empty and foolish. It is obvious that the legislation now sought would have the effect of giving the Commission complete power over all rates. This point has already been settled by the Supreme Court of the United States. In its annual report for 1904 (p. 8), the Commission says, "the amendment now recommended would confer in substance the same power that was actually exercised by the Commission from the date of its organization up to the time when the Supreme Court held that such power did not exist." The precise effect of this power has been clearly stated by the Supreme Court as follows (167 U. S., 510): "There is nothing in the act requiring the Commission

to proceed singly against each railroad company for each supposed or alleged violation of the act. \* \* *So that if the power existed as is claimed there would be no escape from the conclusion that it would be within the discretion of the Commission, of its own motion, to suggest that all the interstate rates on all the roads of the country were unjust and unreasonable, notify the several roads of such opinion, direct a hearing, and upon such hearing make one general order reaching to every road and covering every rate.*" If the proposed legislation be enacted, the Commission itself, or any person who-soever, whether interested or not (194 U. S., 25), will, therefore, be empowered to institute a proceeding, which will include an unlimited number of carriers, and attack innumerable rates.

There have already been several cases in which the Commission has acted in precisely that way. The Import Rate case, decided in 1894 (2 I. C. R., 658; 3 *Id.*, 417), involved the rates upon all shipments from abroad to any interior point throughout the country, and the Supreme Court said that the orders therein, "instead of being regulations calculated to promote commerce and enforce the express provisions of the act, are themselves laws of wide import, destroying some branches of commerce that have long existed, and undertaking to change laws and customs of transportation in the promotion of what is supposed to be public policy" (162 U. S., 234). The Maximum Rate case (4 I. C. R., 592, 617), decided in 1894, involved in one proceeding practically all rates on south bound business east of the Mississippi river. The Business Men's League case (9 I. C. R., 318), decided in 1902, involved substantially all rates from the Mississippi to the Pacific Ocean.

General rate-fixing would manifestly be the Commission's principal future activity; it does not look forward to the method of here a little and there a little. In its annual report for 1893 (p. 13) the Commission said "*every case before the Commission, however trivial it may appear, involves in its disposition the formulation of principles under the law which have important bearing upon the business and the commerce not only of the immediate locality, but often of the entire country.*" In its

annual report for 1897 (p. 35), the Commission said, "the great bulk of our orders \* \* \* must pertain to the future. These will be *orders fixing either a maximum or a minimum rate.*" In its annual report for 1904, the Commission said (p. 29), "it is probably near the truth to say that the cases now pending before the Commission *directly or indirectly affect almost every locality, and, therefore, nearly all of the people of the United States.*" In his testimony before the Senate Committee, Mr. Bacon, the chief advocate of political rate-fixing, said, "there are three cases within the past year in which large sections of the country are interested—an immense population—one of which covers a large part of the Pacific coast; another covering the southeastern section of the country, with reference to lumber; and the third covering the whole country with reference to hay. \* \* The rates from the different districts are so interlaced with one another that they must be considered as a whole." Mr. Prouty, the leading member of the Commission in rate-fixing activities, said before the Senate Committee that the Commission has not a case pending which does not involve a future rate and that *many single cases involve one thousand rates.*

And yet the political rate-fixers placidly go on overruling the Supreme Court's definition of the extent of the power and disregarding the method in which the Commission has sought and still seeks to exercise it; they still repeat the specious contention that general rate-fixing power is not sought—that "only a small number and an increasingly small number (of rates) would be likely to be made the ground of complaint!" The considerations above show that this contention is absolutely without merit. They show that the rate-fixing scheme is condemned without escape by the very declaration of the President's last annual message, that "at present it would be undesirable, if it were not impracticable finally, to clothe the Commission with general authority to fix railroad rates."

The nature of the power for which the Commission has been contending so long may be judged from the fact that the mileage of the roads is 213,904, and the employees number 1,296,121, or

611 to each 100 miles of road, and were paid last year \$817,598,810; that the gross earnings of the roads last year were \$1,975,174,091, the operating expenses \$1,338,896,253 and the capitalization \$13,213,124,679; that there are annually filed over 130,000 tariffs, representing probably at least 1,000,000 rates, and it is computed that there are each year 320,000,000 separate freight transactions; that the internal commerce of the country during last year was about \$25,000,000,000 in value.<sup>1</sup> *The proposed legislation would place these vast interests under the control of the Commission, and the Attorney General has ruled that the Commission would be independent of the courts so long as the rates which it fixed did not amount to demonstrable confiscation.*

Every varied and complicated business must be treated as a whole. It is impossible to dissect it and treat its numerous parts separately in accordance with abstract rules, or as the Commission has said "moral and social considerations and the theory of social progress." Nothing could be more dangerous to the value of railway property than the system now proposed of committing its future to the control of a political body, whose chief function would be to appease those asserting hostile claims. Constant reductions, now here and now there, would easily destroy the property. "The value of property results from the use to which it is put, and varies with the profitableness of that use, present and prospective, actual and anticipated. There is no pecuniary value outside of that which results from such use (154 U. S., 445). "What in fact is property without the beneficial use of it?" (Alexander Hamilton cited in 158 U. S., 626).

The frequent threat of possible Government ownership is, therefore, without force. That would be far preferable, because it would involve payment of the value of the property before

<sup>1</sup> As the Commission said in its annual report for 1897, "the amounts involved in the reductions asked for would be enormous (p. 22). . . . The amount of money involved would be much greater than that involved in the decisions of any trial court in the United States. The results would have more importance to the litigants than those of any trial court in the country. It might well have said than those of all the courts together."

its earning power is destroyed.<sup>1</sup> But the effect of the present scheme would be to insidiously break down the earning power without paying for the property. This would be effected by such gradual steps that the constitutional guaranties of property would, in the opinion of the Attorney General, be unavailing against any separate step in the process. But the process as a whole would result in confiscation.

What necessity exists for thus imperiling the greatest industrial interest in the country? The best test of actual conditions is not the clamor of the moment, but the facts showing how many well-founded complaints as to rates there have been in the last eighteen years, and what the conditions were when the present outcry began.

From its creation in 1887, until October, 1904, the Interstate Commerce Commission rendered two hundred and ninety-seven formal decisions, an average of about seventeen and one-half per annum. Action favorable to the complainants was taken in one hundred and ninety-four, or about fifty-five per cent. of the cases decided, so that the complaints coming before it which the Commission held to be meritorious averaged eleven and one-half per annum. In about eighty per cent. of these cases the carriers complied with the Commission's decision. Since 1887, forty-three suits in all have, however, been instituted to enforce finally the orders of the Commission as to rates. Of these only thirty-four have been finally adjudicated. This is less than *two* cases per annum. In one case the Commission was sustained at circuit and there was no appeal, as the matter was unimportant; in one case it was sustained in part by the Supreme Court. These were both cases of discrimination between localities. In the other thirty-two cases the Commission was reversed. *This shows one and one-half affirmances and thirty-two and one-half reversals.* Some of the early reversals were due to the Commission's per-

<sup>1</sup> In his speech at Raleigh on October 19, 1905, the President said, "I do not believe in government ownership of anything which can with propriety be left in private hands, and in particular I should most strenuously object to government ownership of railroads." But government rate-fixing would seize control of the earning power of the property, while dodging responsibility for its value or operation. Manifestly government ownership would be much the "squarer deal."



sistent claim of rate-fixing power notwithstanding the decisions of the Circuit Court to the contrary, made as early as 1889 ( 37 Fed. Rep., 567).<sup>1</sup> But that matter was finally settled against the Commission's claim by the Supreme Court in 1896 and 1897; yet the reversals have since gone on in about the same way.

It has been urged by way of explanation that these reversals have always been upon the law and not upon the facts. Detailed examination of the cases shows this to be erroneous. But if it

<sup>1</sup>The above facts are established by an independent examination of the subject made by Mr. H. T. Newcomb, of Washington, which has been embodied in two pamphlets recently published, one entitled "The Work of the Interstate Commission," and the other "The Federal Courts and the Orders of the Interstate Commerce Commission." The results differ slightly from those stated in the recent report of the Interstate Commerce Commission in reply to the resolution of the Senate.

This report states that there have been three cases of excessive rates found by the Commission which have been sustained by the courts. These are enumerated as the Minneapolis case (5 I. C. C., 571), the first Colorado Fuel & Iron case (6 I. C. R., 488), and the Savannah Naval Stores case (8 I. C. R., 377). In point of fact, in the Minneapolis case there was no decision by any court, and the Commission's claim that it was sustained seems to be based upon the assertion that while the case was pending the carriers substantially complied with the order of the Commission. In the Colorado Fuel & Iron case, the Commission filed a petition to enforce its order and a plea to the jurisdiction was overruled, but there was no decision on the merits, as the carriers complied with the order; thereafter the carriers raised the rates, claiming a change in conditions, and the Commission sued to enforce its original order; when the case reached the Circuit Court of Appeals the Commission's order was *not* sustained, but *overruled* (101 Fed. Rep., 779). The Savannah Naval Stores case is shown by the opinion of the Commission to have been really a case of discrimination rather than of unreasonable rates.

In making up the list of cases of unjust discrimination decided in its favor, the Commission repeated the three cases just given, and added thereto the Social Circle case (4 I. C. R., 744), the New York and Northern case (3 I. C. R., 542); the St. Cloud case (8 I. C. R., 346), the Tifton case (9 I. C. R., 160), and the California Orange Routing case (9 I. C. R., 182), making eight in the course of eighteen years. In point of fact, there was no court decision on the merits in any of these additional cases except the Social Circle case and the Orange Routing case. The Commission's claim seems to be based upon the fact that the carriers complied with its orders while the cases were pending.

This reduces the cases in which the courts have finally affirmed the Commission to three, none of which were cases of unreasonable rates. These were the Savannah Naval Stores case, in which the Circuit Court sustained the Commission and the railroads complied with the order without appeal; the Social Circle case, in which the Commission was sustained by the Supreme

were the case, what shall be said of the competency of a tribunal of lawyers whose decisions have been almost invariably reversed for errors of law? Is that condition aided by the suggestion that a number of cases involved the same error of law? How many times must a tribunal repeat an error of law before it shall be held to realize its error? And if the Commission was always wrong on the law, what need have the courts had to consider the facts in detail? This course of decision still continues. Within

Court in part only, and the Orange Routing case, where there was considerable difference of opinion among the Commissioners and the question involved was not one of rates, but of the right of the carrier to decide the route which shipments should take. In this case an appeal is still pending.

It will be seen, therefore, that no case of unreasonable rates has ever been sustained; that one case of discriminating rates was sustained by the Circuit Court and there was no appeal; one case of discrimination was sustained by the Supreme Court in part, and the other case upon which the Commission relies did not involve a question of rates. In all other cases as to rates the Commission has been overruled. The total number was thirty-four. The result may be stated as one and one-half affirmances to thirty-two and one-half reversals.

This is the result which moves the distinguished contributor to this number of the REVIEW to say that the "ability, diligence and conservative character of the Commission have been such as to claim public confidence \* \* we should regard the success of the Commission as all that we had any right to expect." Did he anticipate *invariable* reversals?

One of the most laborious and ingenious of the attempts which have been made to explain this record appears in the *Atlantic Monthly* for October. The learned author's conclusion seems to be that the courts are as much to blame as the Commission, because some of the judges were inclined to sustain orders of the Commission which were finally held erroneous. It is difficult to see how the character of the Commission's work is aided by the fact that its errors were shared by some persons other than the Commissioners. Nor does that fact make it any less obvious that great injustice would have resulted from making the orders of the Commission effective before the courts passed upon them finally. The author concludes that the Commission's work has been "on the whole a successful attempt at interpretation of the statute." How can a work of statutory interpretation be described as "successful" when it has been erroneous almost without exception? It may satisfy some unknown standard of "economics," but as a matter of jurisprudence such "an attempt at interpretation" must be regarded as ludicrous rather than "successful."

The learned author's views regarding interpretation of statutes are evidently somewhat confused, not to say Pickwickian. Thus he describes the Interstate Commerce act as "emasculated," because the Supreme Court has enforced its provisions as passed by Congress, rather than as sought to be extended and enlarged by the Interstate Commerce Commission.

the last few months the courts have overruled the two most important orders of the Commission which were pending—namely, those in the Nebraska long and short haul case and in the case regarding rates on hay and straw. The reversal in the latter case was upon the grounds that the Commission sought to exercise power which the Supreme Court had held in 1896 was not conferred upon it by law, and also that its standard of comparison of rates was erroneous.

The facts about the matter have been, therefore, that since the interstate commerce act was passed in 1887, the Commission has found an average of eleven and one-half complaints in each year which it deemed to be well founded. In four-fifths of these cases the carriers acquiesced in the Commission's decision. Of the cases which finally went to the courts only one and one-half were sustained in all this long period, while thirty-two and one-half were reversed; that is to say, about ninety-three per cent. were reversed. This indicates that there were practically no complaints which could stand the test of judicial scrutiny. The rulings of the Commission can never have any force as adjudications (154 U. S. 485, 489); the courts alone can administer justice and determine rights of property. Under their ultimate decision practically none of the Commission's rulings which were litigated have been shown to be well founded. This establishes beyond possibility of doubt that no such crying evils as are now alleged have really existed.

Therefore it was natural that until the President's last annual message, there was no general demand for action in the matter of rate-fixing, and neither party had deemed it sufficiently important to warrant mention in its platform.

There is no foundation for the assumption that rates are exorbitant. Cases in which rates have been shown to be unreasonable in themselves are practically unknown. From 1887, until October, 1904, the Commission found twenty-six cases of rates unreasonable in themselves, or about one and one-half annually. Further than this, not one of these decisions was sustained by the courts and *there has not been a single case of a rate unreasonable in itself established in the courts since the interstate commerce act was passed.* Substantially no one having accurate

knowledge of the facts, questions that the rates are reasonable. As Mr. Bacon said before the Senate Committee, "we do not claim that rates are generally excessive. They are not. They are generally regarded as reasonable." And Mr. Prouty said, "in my opinion the railroad rates of this country are lower than they would have been, had they been made by any interstate commerce commission in the world."

In 1904, the rate per mile on freight was .78 cents per ton, and on passengers was 2.006 cents each. The official publications of the Government show that from the year 1887 until 1904, inclusive, prices generally increased 7 per cent. while the rate per ton mile of the railroads decreased twenty-four per cent. Notwithstanding this rise in prices generally, the freight rate per ton mile in 1904 was only fifty-six thousandths of a cent higher than the lowest point ever reached. The figures in the United States, namely, .78 cents per ton mile for freight and 2.006 cents per mile for passengers, compare with freight rates per ton mile in England of 1.93 cents; in Germany of 1.42 cents; in France of 1.55 cents; in Austria of 1.16 cents; in Hungary of 1.30 cents, and passenger rates per mile in England of 4 cents and in Germany of 3.8 cents. It has been said, without contradiction, that a reduction in the earnings of the railroads amounting to one mill per ton mile would extinguish all possibility of dividends and a reduction of one and one-half more mills would extinguish all possibility of interest.<sup>1</sup>

These facts show that the existing rates are not unreasonable. That is so generally conceded that further argument upon the point is unnecessary.

The present agitation is based principally upon alleged discriminations between localities. But the record shows that dis-

<sup>1</sup> For an average day's wages a workingman can travel the following number of miles in the countries below named: United States, 65; Great Britain, 35; Germany, 53; France, 40; Belgium, 36; Italy, 38; East India, 21.

The daily wages of engineers in the United States are \$4; in England, \$1.62; in Belgium, \$1.01. Those of firemen in the United States are \$2.28; in Great Britain, .91; in Belgium, .72. Those of laborers in the United States are from two to four times greater than those in the other countries. In the United States labor receives 40 per cent. of the gross earnings and capital 25 per cent. In Great Britain labor has 27 per cent. and capital 38 per cent. In Germany the division is equal.



criminations within the statutory prohibitions have had no substantial existence. Moreover it is clear that such differences between localities as really exist arise from natural causes and cannot and should not be changed by statute.

It is not all discriminations or preferences that fall within the inhibition of the statute; only such as are *unjust* and *unreasonable* (145 U. S., 284). The very terms of the statute that charges must be reasonable, that discrimination must not be *unjust*, and that preference or advantage to any particular person, firm or corporation, or locality must not be *undue* or *unreasonable*, necessarily imply that strict uniformity is not to be enforced; but that all circumstances and conditions which reasonable men would regard as affecting the welfare of the carrying companies, and of the producers, shippers and consumers should be considered by a tribunal appointed to carry into effect and enforce the provisions of the act (162 U. S., 218). The mere circumstance that there is, in a given case, a preference or an advantage, does not of itself show that such preference or advantage is undue or unreasonable within the meaning of the act" (*Id.*, 220).

Claims that preferences exist and that they are *unjust* or *unreasonable* arise from the natural desire to secure equal advantages with others. "The rate is of very little consequence to the merchant, provided it is the same to his competitors as to himself." (Annual Report for 1897, p. 18.) As Mr. Bacon said before the Senate Committee, "it makes no difference to a shipper what the absolute rate is, whether it is high or low, if nobody else has a lower rate with which he comes into competition or which would debar him to a certain extent from securing his share of the business." The efforts of traffic officials to maintain substantial equality among shippers have had more to do than any other cause with the reduction of rates and their proper adjustment as between different localities. By reason thereof the business of the country has extended so that its various producing regions each reach as many markets as possible. This is obviously to the advantage of the general body of producers and consumers, as well as of the carriers.



Substantially no discriminations within the statute have, however, been shown to exist, and the present remedies are ample.

All undue and unreasonable discriminations or preferences have been prohibited since 1887; yet with one and one-half exceptions, the Commission has been overruled in all of its findings of discriminations or preferences which have been passed upon by the courts. This, of course, shows that there has been no serious injustice as between localities; practically no cases in which it was alleged have had sufficient merit to stand the test of judicial investigation by the ordinary processes. The remedies under the original act have been sufficient, and since 1903, the further remedy by injunction has been provided by the Elkins law (189 U. S., 274).

Moreover, differences between localities depend in reality upon causes incident to the operations of commerce. Statutes to do away with them would be useless and undesirable. As long ago as 1893, the facts in regard to this matter were very clearly expressed in an address by one of the Commissioners embodied in the annual report of the Commission. "It is idle to look forward to an adjustment of rates which, as applied to localities and differently circumstanced persons, will bear no heavier upon one than upon another. Such mathematical equality is manifestly unattainable through human endeavor; not even common control of all railways through consolidated ownership or government purchase could accomplish such a task of equalization for thousands of places and millions of persons. Certainly the much vaunted theory of uniform charges for all traffic would, under the greatly diversified conditions which now prevail throughout the country, have the opposite effect, and inflict greater discriminations than arise under the existing general practice of fixing charges which attract traffic to the various lines. *Uniform rate per mile on all traffic for any distance would arbitrarily limit commerce to sections and greatly restrict production.*" (Annual Report for 1893, p. 218.) "Trade is no longer limited to circumscribed areas: distance hardly ever bars the making of commercial bargains between widely separated parties, and almost every article of commerce finds the competing product of another region in any place of sale. The

consequence is that the products of the farm, the forest, the mill and the mine are continually demanding from carriers rates adjusted to values in particular markets. It is thus competition of product with like product, of market with market, that has induced carriers, in their eagerness to increase the volume of their traffic, to continually reduce their rates to market points. *Such competition is the competition of commerce itself; the strife between competing industries which the public interest demands should be left free from fettering laws and uncontrolled by restraining combinations*" (*Id.*, p. 219).<sup>1</sup>

As a learned economist said before the Senate Committee, "a great many of these complaints will never be settled, because the conditions are against the places." Those natural laws must control over which the rate-fixers often make so merry. It is not really a matter within the scope of legislation; one half of the population of the country lives in States where there are no rate-fixing commissions, comparatively at peace; while in the States where railroad commissions have rate-fixing power, questions of alleged discrimination between localities and classes of traffic are as frequent and acute as ever.

But it is quite obvious how the existence of such power in a political body would cripple and destroy local interests. By reason of their inability to fix rates, the State commissions have

<sup>1</sup> Compare these words of statesmanlike wisdom with the views of the distinguished economist who appeared before the Senate Committee to say that transportation to distant points should be discouraged because it involves "an economic waste" (Statement of Mr. Ripley, pp. 2, 13, 15, 16, 17, 20, 33)! So, too, the same authority urges in the *Atlantic Monthly* for October that a beneficent government should restrict the people to the markets where they can do business with least use for transportation.

The animating principle of the traffic official is to adjust rates so as to enable as many people as possible to do business—to secure the greatest good to the greatest number. But the "economic" suggestion is that "there is too much elasticity of rates" (Statement, p. 46)—apparently business in the several localities should be limited to those who can carry it on with least expense to themselves, while the remainder should be commercially extinguished. "Any change in rate adjustments," the author calmly says in the *Monthly*, "must, of course, operate to put somebody out of business. You cannot preserve the old relativity and still do justice all round." Useless transportation should be avoided and commerce rather should be laid "waste" to satisfy the rules of economics!

inevitably fallen back upon mere distance tariffs. The effect of this was stated by Mr. Bacon to the Senate Committee as follows: "If the cost of transportation may be figured out to a certain amount per ton per mile, and if that cost were applied upon every commodity offered for shipment, it would exclude from transportation at least nine-tenths of the traffic of the country. If the Government undertakes to establish the rates primarily, it must reach to a large extent the mileage basis of establishing these rates, and in my judgment nothing would be more detrimental to the commercial interests of the country than the establishment of such a basis."

If the Interstate Commerce Commission had such power over the country generally, the incessant cry would be that every locality that has natural advantages is entitled to the benefit of those advantages" (Statement of Mr. Bacon, pp. 46, 47). As has been well said, the task of Sisyphus would be a pleasant pastime, compared with the Commission's efforts to satisfy these claims. Inevitably each producing locality would be shut up within its own little market, and as soon as it reached the point where the distance tariff applied in favor of the producer at another point, it could go no further because the rates would draw a dead line beyond which commerce could not pass. Both Eastern and Western markets would be insufficient, and their farmers, manufacturers and merchants would be shut out from the more distant markets in which their produce and their goods are now exchanged for each other. The effort to prevent natural differences by statute would thus lead to contraction of practicable markets and destruction of commercial competition. The result would be, in general, decrease in production and increase in prices.

These considerations establish that no new legislation for the purpose of securing relative justice as between localities is needed or would be desirable.

Political rate-fixing would in other respects, too, seriously, injure the shippers, the merchants and the investors.

Irrespective of the reasonableness of the rates in themselves, it is proposed to confer upon the Commission power to determine

what rates shall prevail over the various routes at respective competing points. This would concentrate in a single political board power to determine the commercial and industrial future of all the localities throughout the country. Paraphrasing the Commission's language, the proposed legislation would, therefore, "put into its hands the power to determine what localities shall pay and what receive tribute." (Annual Report for 1897, p. 45.) As almost all of the Commission's orders as to the rates which have come before the courts have ultimately been overruled, it is obvious that the localities affected by its errors would suffer gross and unwarranted injury. It is impossible to foretell what disastrous results, not only to the railroad companies, but also to the shippers and merchants in the different localities, would follow the exercise of such power. If a rate should go into effect at once and afterward be set aside, the injury to local interests would necessarily be irreparable.

If the Commission is thus to divide the country into zones so as to settle "the just relation of rates" and "the rightful benefits of location," (to use its own expressions), business will be very precarious for those who ship to considerable distances. The Constitution provides that "no preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another" (Art. I, sec. 9, subd. 5). It is true that the Commission and the Attorney-General are somewhat inclined to belittle this provision of the Constitution, but the Supreme Court has said that this means absolute geographical uniformity of regulation, "*so that all regulations of commerce or revenue affecting commerce through the ports of the States should be the same in all ports*" (178 U. S., 104).<sup>1</sup> This rule cannot be evaded. The Commission, therefore, could not make rates and differentials for the purpose of enabling one section of the country to compete

<sup>1</sup> For some inscrutable reason the distinguished author of the article in the present number of the REVIEW seems to think that this limitation upon the power of the national government to destroy the rights of property, has some bearing upon the use which the owner may make thereof!

The writer in the October *Atlantic Monthly*, too, seems to share the view that the citizen's control over his property is in some way affected by the constitutional guaranties against governmental interference therewith!

with another in its foreign commerce, while the railroads themselves facilitate such competition in every fair way. *There could be no blow to commercial competition equal to this—* as Mr. Prouty said before the Senate Committee, "you could not have competition without differentials." *Of necessity political rate-fixing would destroy at each port the competition of the more distant producers, so far as concerns foreign commerce.*

Such rate-fixing would establish rigid methods of transacting business which would arrest commercial progress. The traffic officials would be extremely reluctant to reduce rates, because their restoration would be practically impossible. Even a rate fixed by the Commission would be incapable of change without a proceeding as dilatory as a lawsuit, and as the Commission proceeded the scope of this rigid condition of rates would constantly extend. Every practical man must realize that business is carried on successfully by negotiation and agreement of the parties rather than by the judgment of any tribunal. "Business by law-suit" would be a lamentable failure. There is no successful branch of business in which the general future relations of those engaged therein are regulated by public officials, whether an administrative commission or a court of justice.

Future development, too, would be obstructed and in great part prevented. "The location of new business enterprises is frequently settled since the passage of the act to regulate commerce, as well as before, not so much by the wishes of those who control them and the advantages for economical production or trade afforded at particular places, as by the favorable transportation rates which railway managers can be induced to put in force" (Annual Report for 1894, p. 57). This process of development can be continued only through gradual reductions of rates, and in its continuance shipper, carrier and consumer are alike interested. The effort of the railways is to "keep everyone in business"—to secure the greatest good of the greatest number. "It is for the interest of the public that a railroad should have the right to develop an industry on its own lines" (Mr. Prouty's Statement, p. 50). But this process will be arrested if the rates are subjected to the final veto of a body having no substantial interest in the success of the transportation



business or of the industries upon the particular lines concerned, and whose sympathies are, perhaps, elsewhere.

Political rate-fixing would be merely a step toward universal political direction of interstate commerce. Congress is not given by the Constitution any express authority over the carriers. They are not in general incorporated by the national government and receive no franchises from it. It is, therefore, erroneous to suppose that there is any special power arising by reason of any grant from that government. The entire power of Congress arises from the provision of the Constitution that it shall have power to regulate commerce with foreign nations and among the several States (Art. I, sec. 8, subd. 3). But the shipper of goods is engaged in interstate commerce even more than the carrier of the goods shipped. The shipper and his business are, therefore, quite as much within the power of Congress as the carrier and its business.

A high officer of the Government has been urging for some time that engaging in interstate commerce as a means of livelihood shall no longer be a right but a *privilege* to be enjoyed only by those possessing a *license* on such terms as the Government shall see fit to prescribe; the citizen shall be permitted to make his living only upon such conditions as the Government may fix. In his recent speech at Atlanta, the President said that, in his judgment, "all corporations doing an interstate business—and this means the great majority of the largest corporations—should be held *accountable to the national government, because their accountability should be coextensive with their field of action.*"<sup>1</sup> But, as already pointed out, whatever power the national government possesses is not over corporations especially, but over interstate commerce, so that this doctrine of "accountability" and control applies as much to

<sup>1</sup> With these socialistic views may be compared the expressions of Mayor McClellan in his speech of acceptance on October 5, 1905. "As a Democrat, I believe that the community is best governed which is least governed, and that where individual effort and private enterprise can accomplish the same result as government, government has no right to interfere. . . . The confiscation of private property, even by a municipality, is not yet recognized as Democratic doctrine by the Democracy of New York." It is gratifying to know that the author of these courageous and statesmanlike expressions has been re-elected, notwithstanding venomous opposition from every possible source.

all individuals engaged in interstate commerce as to corporations so engaged. The proposed legislation would, therefore, be in the direction of general socialism, which would affect manufacturers, shippers and carriers alike, and would subject to political control the question what the citizens of the country shall be allowed to earn by use of their constitutional rights of liberty and property.

For these reasons, among others, rates by fiat would play havoc generally and existence by license would be intolerable. The railroads would no longer be controlled by the vigorous policy of private enterprise but by the rigid governmental methods which in other countries have kept up the rates and kept down the service. Like Frankenstein in the story, the country would be at the mercy of the monster which it had created. Before long the political platform of one party would demand "a square deal" for the ports of the Atlantic seaboard, and that of the other for those of the Gulf. Over all the din of partisan politics would be heard what Daniel Webster called "the shrieks of locality." Every statesman in the land would be busily occupied with "regulating," in the interest of his immediate constituency, both carriers and shippers engaged in interstate commerce. The merchants and the investors would be the helpless sport of every unreasoning clamor and the shining mark of every blatant demagogue.

The substantial value of the Commission has been in the way of settling controversies without litigation. In that way apparently about ninety per cent. of the complaints filed with it have been adjusted.<sup>1</sup> This method is very useful and should be continued.

<sup>1</sup> In a recent pamphlet by Mr. Joseph Nimmo, Jr., entitled "Governmental Ownership the alternative of Governmental Rate-Making," some interesting figures are given in regard to the work of the Commission since its creation in 1887. The total number of freight transactions has been approximately 3,000,000,000; the number of informal complaints disposed of by the Commission has been 8,000; the number of formal complaints has been 770, of which 370 have never come to a hearing; the number of formal complaints which have come before the courts has been 45, and the total number of cases in which the Commission was sustained by the courts has been *one and one-half*.

The question now is as to the remaining ten per cent. which constitute the contested cases. In eight per cent. of these the carriers have heretofore acquiesced in the recommendations of the Commission, leaving but two per cent. to be considered. The delay in disposing of them has been due to the proceedings before the Commission. These consist in admitting all sorts of matter presented, irrespective of the rules of evidence (194 U. S., 25); long arguments; opinions by the Commission, and ultimately an order. As the Commission has itself said, these proceedings "bind nobody and go for nothing" (Annual Report for 1897, pp. 31, 33). The Supreme Court has decided that an order of the Commission under the terms of the Constitution can never have force as an adjudication (154 U. S., 485, 489). These proceedings before the Commission are, therefore, merely dilatory and serve no useful purpose. Whatever delay exists, arises there.

In the courts there is no delay of any meritorious claim. Reference has often been made to the time "required to secure the enforcement of an order of the Commission by application to the courts." It would be enough to say that such orders have *not* been enforced because they have almost invariably been erroneous. In addition, the provisions as to procedure in the courts expedite these cases in every possible way. The courts act on as short notice as possible, without formal pleadings or proceedings; the constitutional protection from self-crimination has been removed by statute so that anyone can be compelled to testify; cases arising under the statute have preference over everything save criminal cases; individuals or corporations violating the act are subject, whether shipper or carrier, to heavy fines; the provisions of the act may also be enforced by decree in equity, with subsequent contempt proceedings in case of disobedience, and appeal lies directly to the Supreme Court in all cases. This is the most simple and expeditious procedure with reference to any known subject matter. It is clear, therefore, that there can be no delay in the courts.

The difficulty at present is that the Commission attempts to act both as prosecutor and judge. It has defined itself as "a special tribunal engaged in an *administrative* and *semi-judicial* capacity

investigating railway rates and practices" (Annual Report for 1896, p. 71). To these functions it is now sought to add the *legislative* function of making rates. It is one of the fundamental principles of the American constitutional system that the powers of government are divided into three separate departments, the executive, the legislative, and the judicial, and that these functions must be exercised by different public servants. The attempt is to endow the Commission with powers belonging to each of these departments. In that case it would occupy the unique position of exercising all three of the powers of government. Such a scheme is abhorrent to Anglo-Saxon principles of liberty,<sup>1</sup> and must end in failure.

The true remedy lies in the enforcement of existing statutes, which will prevent rebates and discriminations; and resort by the Commission directly to the courts without dilatory preliminaries, so as to secure expeditious action by the only branch of the Government which is empowered by the Constitution to administer justice and determine rights of property. This remedy is authorized by the Elkins law and is fully sanctioned by the Supreme Court (189 U. S., 274); it will prevent unjust discriminations and undue or unreasonable preferences. So far as concerns reasonableness of the rates, it is obvious that the present method under which the Commission has power to pass

"It is believed to be one of the chief merits of the American system of written constitutional law, that all the powers entrusted to government, whether state or national, are divided into three grand departments, the executive, the legislative, and the judicial; that the functions appropriate to each of these branches of government shall be vested in a separate body of public servants, and that the perfection of the system requires that the lines which separate and divide these departments shall be broadly and clearly defined" (103 U. S., 190).

"There is also in the public mind a sense of incongruity between the prosecuting function, involving as it does detective methods and an attitude of hostility, and the judicial function, rightly expected to require impartial and just investigation and decision of controverted questions of law and fact. It is a fundamental principle and generally provided for by statute, that every man shall have a fair trial before a tribunal free from any possible bias that might arise from relationship, interest in the result, or partisan connection as attorney or counsel, or who may become a prosecutor in the transaction" (Annual Report of the Interstate Commerce Commission for 1889, p. 106).

upon existing rates has been effectual, *since no case of unreasonable rates has ever been judicially established.*

But if the Commission's decisions become operative without judicial sanction, the property of the carriers will easily be destroyed by gradual legislative fiat without judicial protection. According to the opinion of the Attorney General, the courts will have no power of review, because the successive steps considered separately will involve legislative discretion and will not meet the legal definition of confiscation.<sup>1</sup> The courts will, therefore, be powerless to protect the property from this insidious process. As the result of successive acts of legislation by the Commission, here a little and there a little, the value of the railway property of the country will easily be frittered away.

DAVID WILLCOX.

Delaware and Hudson Co.

<sup>1</sup>In Senator Knox's Pittsburgh speech of November 3, 1905, this precise result seems to be contemplated. He says that a rate fixed by the Commission should be final, subject only to attack for *unlawfulness* in the Federal courts. That, of course, would preclude the courts from reviewing any exercise of discretion by the Commission. Yet, with lamentable inaccuracy, the Senator proceeds: "the railroads enjoy a *complete* remedy against injustice, which it is not proposed to take away." But it is obvious that the railroads could have no remedy whatever for misuse of the discretion of the Commission.

This was indicated exactly by Chairman Knapp of the Interstate Commerce Commission in a recent address before the students of Cornell University as follows: "Between the rate which the courts would not condemn as unreasonably high and the rate imposed by public authority which the courts would not condemn as unreasonably low, there is a considerable, and in many cases a very considerable, margin which measures the range of legislative discretion."

Within that range there will be no review—the Commission will be omnipotent. Without warrant of law it assumed for some time to exercise this gigantic power, and ever since the Supreme Courts overruled its action in the matter the Commission has been striving to secure this absolute control of the country's commerce. Was there ever a more vaulting ambition? What public official in any country has ever wielded such unlimited authority?



## COMPETITION IN LIFE INSURANCE.

COMPETITION has been defined as "worthy effort to excel." In the production of material goods, this generally takes the form of an effort to produce goods of a superior quality, or at reduced cost to the consumer. But it also takes on other forms. It is manifested in an effort to place goods on the market, or to create, or to increase, or even to decrease the demand for goods of a given kind or quality.

In a discussion of this effort to excel, in the ordinary industries, we have to deal with questions concerning supply and quality of raw material, proximity of raw material to the manufacturing establishment, adaptability of production to machine methods, power facilities, proximity or remoteness of markets, methods of transportation which affect cost and quality of service, climatic conditions, fungibility of goods, patent rights, the use of substitutes, etc. But these are not of much importance in the insurance business; most of them can be eliminated entirely; a few can be admitted when made subject to a proviso.

In life insurance there are three principal elements that are subject to legitimate competition. They are mortality, interest and expense. To what extent these are subject to competition is a matter of some dispute. The monthly *Journal of Insurance Economics* (Nov. 1900, p. 195) has the following to say on this subject:

"The elements of cost in life insurance which determine price are mortality, interest and expense. In regard to mortality and interest the state has seen fit to exercise paternal oversight and fix the limit of safety. In regard to expense the state is silent, and this element in the cost price of insurance has become subject to the influence of competition, and varies according to the needs and desires of the several companies. As a result of this competition, the cost of placing new business has increased far beyond the loading provided for expense. The deficiency is supplied from the surplus fund belonging to the old policy holders."

This is true in so far as it refers to the increase in expense rate above the loading provided for expenses. But exception may well be taken to the assertion that the state has fixed a limit on mortality and interest. True, it says "limit of safety," but that it is all it can possibly mean, for it does not follow that the fixing of a limit of this kind eliminates those elements of cost from competition. The state has fixed a limit on *interest assumption*, above which the companies are not allowed to go, and a limit on *mortality assumption* below which the companies are not allowed to go, in bidding for *new* business. But, as nearly all life insurance in the United States is conducted, nominally at least, on the mutual plan, competition is free to play within the limits fixed by the state. That is to say the interest rate earned by the companies might rise to infinity, and the death rate might fall to zero without meeting with any legal restrictions. As a matter of fact mortality and interest are frequently mentioned in companies' advertisements while the expense rate is seldom mentioned and only a few companies compare results on this basis. Mortality is, of course, subject to natural law, the force and trend of which are shown by mortality tables that have been compiled from the experience of companies and from public records of various kinds. But this fact does not eliminate the element of mortality from competition. Medical examination is required by all the companies, but the severity of such examinations varies considerably and in some cases the "commission hunger" of the agent may induce the examiner to be lenient. This requires the greatest vigilance on the part of company officials. Some companies maintain salaried inspectors in the field to report cases of fraud and for other purposes. The writer has been informed by good authority that some of them will go so far as to induce a policy holder to lapse his policy, if it is found that he has contracted an incurable disease, although he was in perfect health when the policy was issued.

The influence of occupation and "moral hazard" on mortality has not been fully recognized. Some companies exclude persons engaged in certain occupations and charge extra premiums for others, but the practice is far from uniform, and the classifications are arbitrary and incomplete. Age has been the one

dominant factor in determining premium rates. Fraudulent claims must also be guarded against. Here again the practice of companies varies greatly. The story is told of a man who was found guilty of crime and was sentenced to death. The company in which he was insured was so eager to advertise its promptness in paying claims that it paid the face of the policy to the beneficiary<sup>1</sup> only a day or two after sentence had been pronounced. A few days later the man was given a new trial and was acquitted, but the money had already passed from the treasury of the company, and could not be recovered.

It has been stated of another company that "it has contested every claim where there was a chance to win and a great many where there was no chance at all." Whether this be literally true or not the name of the company in question certainly does seem to appear with undue frequency in the digests of insurance cases. Another company, on starting in business, advertised, "under the policies of — company you may go *where you please*, live *where you please*, do *what you please*, die *as you please*, and your policy will certainly be paid." During the first two years of its existence this company contested two claims (one on account of suicide), and lost them both.

Common sense would dictate that the companies should strive to make all legitimate gains possible on the side of mortality, and thus appeal to the public by reducing the cost of insurance. But quite contrary to our expectation, competition has rather been directed to the removing of restrictions regarding residence, travel, occupation, suicide, etc., the companies claiming thereby to be more liberal than their competitors who recognized more fully the element of moral hazard. They seem to forget that the only result such liberality can bring is the swelling of an ephemeral new business. Most of the companies, however, are experiencing a death rate considerably below that expected according to the mortality tables and are making substantial additions to the surplus from this source. But this is due to improved sanitary conditions and medical skill rather than to the actual competition among the companies.

<sup>1</sup> The policy had been assigned to a bank some time previous. *Chicago Inter-Ocean*, June 28, 1900.

The interest rate is often mentioned in the companies' advertisements and it is proper that it should be, for the interest and rents constitute, in most of the legal reserve companies, some twenty or thirty per cent. of their total income. The investing of money may seem to be a simple matter, but when the funds of a single company aggregate three or four hundred millions of dollars, with an annual increase of some twenty or thirty millions, mainly from renewal premiums, the question of finding safe and profitable investments becomes a serious problem. In the competition for investments, inside information has been bought and sold. Salaried agents have been employed all over the country to place loans, and subsidiary institutions have been organized to furnish an outlet for their accumulations. Owing largely to this competition, the rate of interest has been forced down so low that many of the leading companies have deemed it advisable to compute their reserve on an interest assumption considerably below the limit fixed by law.

When the great companies clash, it may well be said to be a battle of giants; when they cooperate, nothing can successfully oppose them in the money market. In insurance as in other business, competition has brought about concentration, and as a consequence the giant companies exert an influence in Wall Street that can scarcely be overestimated. With the enormous sums at their command they can make or unmake banks, loan associations and trust companies at will. The officers of some of the largest companies are found in the directorates of no less than ten or a dozen banks, trust companies and other corporations. So that communities of related interests are formed through which competition is in some respects abated and mollified, but in other respects it remains as keen as ever. Owing largely to this competition investments have become specialized and systematized, one company seeking bonds, another real estate and mortgages, and another invests heavily in stocks, real estate, or collateral loans. They all seek the highest paying investments consistent with safety, though pride, "policy," and custom are very often influential factors.

Investments may be divided into two general classes; proprietary and non-proprietary or loans. Of the \$1,773,916,359

owned by the twenty-eight leading life companies in 1902, 11.6 per cent. was invested in real estate and stocks, while 88.4 per cent. was in loans represented by notes, mortgages and bonds. One important fact to be noted is that the companies are obliged to invest and, since it is not within the province of life insurance companies to engage in industrial undertakings, they naturally look first for loans. Legal restrictions, too, are more severe against proprietary investments, consequently competition has had a direct influence on the interest rate and has forced it down far below what it would have been had not these companies been in existence. Considerable anxiety has been manifested, by some, lest the rate be forced down so low as to threaten the stability of the companies, but the writer can see no just ground for such fears, for the companies are making substantial gains from interest above that required to maintain the reserve;<sup>1</sup> besides the insurance business is so elastic that it can, by the exercise of vigilance and foresight, be adjusted to all sorts of varying conditions. That is to say, if a certain policy is found to be unprofitable to the company, it can be withdrawn from the market by instructing the agents to "push" or sell another kind that is more profitable. The expense rate is of the highest importance, for it is here that the leaks and extravagant practices are most frequently found. The rate, however, is very difficult to determine with accuracy on account of the great variety and changing conditions of the business. For example, one company may have eighty or ninety per cent. of its business in the form of endowment insurance, while another company may have only ten or twenty per cent. of its business in such policies. Likewise one company may be comparatively new, so that the accumulations are small in proportion to the risks outstanding, and another company may be

<sup>1</sup> In the thirty-eight Life Companies reporting to the Wisconsin Department in 1903 the gains and losses on mortality, interest and expense were as follows:

Gain from interest .....	\$21,958,559
Gain from mortality .....	\$18,020,432
Total gain.....	\$39,978,991
Loss on expense loading.....	\$7,552,505
Net gain .....	\$32,426,486



old, or it may have been dormant for a number of years, so that the accumulations are approaching (and in one case exceeded) the risks outstanding. One company may receive the larger part of its income from interest and rents (88 per cent. in one case) while other companies may be almost entirely dependent on premiums. And again, one company may be reorganizing its agency forces by commuting renewal commissions and putting the compensation of agents on a salaried basis. Thus it is clearly seen that to apply a single test to all regardless of their business conditions would be unfair to some of them.

To avoid, as far as possible, such unfairness, the writer has computed the expense rate of a number of companies on thirteen different bases for a period of twenty-two years. These are:

1. Premiums,
2. Interest and rents.
3. Total income.
4. Death losses.
5. Matured endowments.
6. Dividends to policy holders.
7. Total payments to policy holders.
8. Total disbursements.
9. New business (new insurance written).
10. Insurance in force.
11. Assets.
12. Liabilities.
13. Surplus.

Nearly all of these show a general tendency upward,—some more strongly than others and some more uniform than others. They serve as checks on one another and may be used to refute invidious comparisons. It may be noted that nearly all the companies fall short on their loading<sup>1</sup>; and those that save anything on loading generally fall short on mortality. But this may be due to certain peculiarities of the industrial business in which they have taken the lead. As stated above, mortality interest and expense are the principal elements that are subject to legitimate competition. Other points, however, are not to be ignored, for competition has brought about many changes along other lines.

<sup>1</sup> See footnote, p. 289.

Among these are the liberalizing of the policy contract, increased publicity and modification of the insurance laws.

Among changes in the contract may be mentioned grace in payment of premiums, automatic non-forfeiture provisions, the admission of women at the same premium rate as men, greater freedom of residence, travel, occupation, etc., culminating in the "incontestable-from-date-of-issue-policy" that was placed in the market only a few years ago. Increased publicity has been brought about in three different ways. First, the companies have issued a large amount of advertising literature, the greater part of which has been devoted to competitive points. Second, competition is largely responsible for the growth of insurance literature such as journals, guides, year-books, hand-books, etc., that have been issued in recent years. Third, reports of public officials, charged with the supervision of insurance, have been greatly increased in scope as well as improved in quality. This is undoubtedly due partly to other causes, but it is safe to say that developments along these lines have been greatly accelerated by competition.

Among the laws that have been changed or brought into existence by competition are anti-rebate laws, anti-compact laws,<sup>1</sup> resident agency laws, and laws to prohibit discrimination between individuals of the same class. We might also mention laws making non-forfeiture provisions automatic instead of merely optional, but these only make compulsory what the companies had chosen to do as an advertisement.

One question often met with is, How can every company issue comparative statistics and always place itself at the head of the list? That all depends on the class of facts compared, and of these there is an almost endless variety, some good, some immaterial and some positively misleading.

Among the principal classes of statistics used are the following:

A. *Statistics bearing on the operations of the company considered from the standpoint of the policy holder.*

<sup>1</sup> It may seem paradoxical to say that competition is responsible for the enactment of anti-compact laws, but it is true nevertheless, for it is excessive competition that induces the companies to enter into compacts.

1. Rate of interest earned on invested funds.
2. Actual mortality compared with expected mortality.
3. Expense rate.
4. Dividends to policy holders.

B. *Statistics bearing on the progress of the company considered as a unit.*

1. New policies issued.
2. Amount of risks written in a year.
3. Amount of insurance gained in a year.
4. Premiums collected.
5. Gain in assets.
6. Gain in surplus.
7. Gain in premium receipts.
8. Gain in gross receipts.
9. Gain in membership.
10. Gain in reserve.
11. Extension into new territory.

C. *Statistics bearing on the magnitude and stability of the companies.*

1. Date of organization.
2. Amount of insurance in force.
3. Amount of assets.
4. Amount of reserve.
5. Amount of surplus.
6. Number of members.
7. Amount paid to policy holders since organization.
8. Legal requirements, such as deposits with public officials or provision for examination.
9. Geographical location and character of investments.
10. Prominent men insured or otherwise connected with the company.
11. Capital stock.

D. *Miscellaneous statistics.*

1. Per cent. gain in surplus.
2. Per cent. gain in risks outstanding.
3. Per cent. of assets to liabilities.
4. Per cent. interest earned to interest required to maintain the reserve.

5. Per cent. of assets invested in fluctuating securities.
6. Per cent. of interest earnings used to pay losses.
7. Freedom of restrictions in policies.
8. Per cent. of assets to insurance in force.
9. Per cent. of total disbursements to total income.
10. Per cent. of losses to insurance in force.
11. Per cent. gain in assets.
12. Per cent. dividends to premium receipts.
13. Rank as to insurance in force.
14. Guaranteed rate of interest on reserve.

In the above list there are no less than forty different bases on which to compare. It would be a poor company indeed, if it could not find a way of placing itself at the head of the list in some respects when using such an array of comparisons. A simpler way, however, and one frequently used, is to omit all the companies that are above and to show only those that are below the company concerned.

The value and significance of some of these—nay many of them—may well be questioned. Since the life insurance business is conducted almost entirely on the mutual plan, the interest of the policy holder is paramount. The first group (A) therefore is legitimate and of prime importance. Any one or two of the first three of this group, however, may be misleading, unless the others are also given. The fourth, dividends to policy holders, is the resultant of the other three, and may be used alone in comparisons with other companies when policies of the same class, on persons of the same age, issued at the same time and under the same conditions and privileges, are used. This group contains by far the safest bases on which comparisons may be made.

The second group (B) is important from a financial, economic and administrative point of view. The statistics grouped under these heads will show whether a company is progressive or conservative, expanding or dormant, but such statistics are no true index of benefits to be derived by policy holders. They may be used to advantage and with perfect propriety in the study of insurance as an institution, but when presented by

the agent of an insurance company it is well for the prospective applicant to consider them with care before signing an application.

The third group (C) contains the bases on which may be measured the age, the magnitude and to some extent the stability of the company. Stability is an important matter to consider. When used for that purpose such statistics are of great value. But it should be remembered that magnitude does not necessarily signify strength, or economy in management, nor does it necessarily signify profitable investment. The date of organization may properly be used to show that the company is not a new and untried experiment. The amount of insurance in force shows something of the patronage the company has received from the insuring public, and so does the number of members and the amount of assets. But these are not a proper test of strength. The amount of assets is not even a proper test of solvency, unless considered in connection with the liabilities. That is to say, the company which has the largest amount of assets may nevertheless be on the verge of insolvency. Surplus is *prima facie* evidence of legal solvency, but it is by no means a fair test of economical management or of profitable investment. A large surplus in proportion to liabilities is a fairly sure sign that the company has a large amount of deferred dividend policies on its books, and it may or may not be profitable to the individual members. The amount of capital stock is of no practical significance except in a new company, for the stock is generally so small in comparison with the assets of well established companies that it makes no material difference as far as security is concerned.

A deposit with some public official, as a pledge of good faith, is required in many States. Some companies deposit voluntarily an additional amount to win the confidence of the people. When such deposits are required, they should be graded according to the obligations of the companies and should not be an arbitrary amount, except as a minimum. The State of Iowa has such a law, except that no minimum is provided for, and the Iowa companies never fail to advertise the fact that their poli-



cies "are secured by a deposit of the entire legal reserve with the auditor of the State."<sup>1</sup>

The question of geographical location should not be ignored, for experience has shown that companies located in the middle west and at a distance from the money centers have as a rule realized a higher rate of interest than those located at or near the money centers. Names of prominent men connected with a company are often used in advertisements, and they are *prima facie* evidence that those who are best able to judge have confidence in the company's future. But such names have so often been borrowed—and bought—on account of their advertising value, that more or less suspicion is aroused when they are mentioned. They are the "directors who do not direct." One notable case of this kind was the effort made by a few companies to organize so-called advisory boards in various places,—six or eight men in each place but not to exceed two hundred in all. The members of these "boards" were to receive a commission, on all the business done in the State, which would "certainly" be enough to pay the premiums on the five thousand dollar policy which they were expected to take in the company. They were to have and exercise certain advisory powers,—namely to advise their friends and neighbors to join. But the commissioner of insurance very properly held that such arrangements are not only contrary to the anti-rebate laws but are against public policy, because they are founded on deceit and fraud.

In the fourth group (D) are placed a number of miscellaneous considerations that do not properly come under any of the other three groups. Most of them are of such doubtful significance that their use is often questionable. For example, to compare two or more companies on the basis of per cent. gain in surplus is so extremely unfair that it cannot be called anything but jugglery. Per cent. gain in risks outstanding is also unfair, for it would be an easy matter for a new company to outstrip all competitors on this basis. Per cent. of assets to liabilities is, as stated above, *prima facie* evidence of legal solvency, and consequently a measure of strength. But by using this basis

<sup>1</sup> The Canadian government requires a minimum deposit of \$50,000. Additional deposits are required to cover the entire legal reserve and policy claims.

alone it has been possible for drifting hulks, that are ready to float into receivers' hands, to show a ratio of 800 per cent. or over, while most of the standard companies range from 105 per cent. to 130 or 140 per cent.

The essential purpose of comparison is to test efficiency, but this necessitates the finding of a fair and impartial standard or criterion by which efficiency may be tested. The above mentioned tests or standards are all more or less faulty. They are at best only side lights, by the study of which a person may judge, in a general way, what the results will be. The only true and unassailable test is the net return to the policy holders. This can be measured by adding the value of the protection to the cash value of the policy at maturity and computing the compound interest on the payments as made. For example, if a policy holder pays one hundred dollars a year for ten years and then draws the cash value, of say twelve hundred dollars; then calling the protection worth ten dollars a year, the problem would be as follows—

Amount received in cash.....	\$1,200.00
Value of protection.....	100.00
<hr/>	
Total value received.....	1300.00
Total premiums paid.....	1000.00
<hr/>	
Net return on amount paid in.....	300.00 or

a little over 4 1-2 per cent. compound interest on the payment as made.

Another matter that has been subject to the most intense competition is that of procuring agents. The agent is the producer. On him depends the very existence of the company. Good agents are scarce and difficult to secure, consequently great inducements must sometimes be held out to secure their services. Salaries, bonuses, commissions on new business, and on old business, have been given to secure the best men for the field. Some years ago the usual method was to employ general agents and to give them large and exclusive territory. They were given a commission on the business of all sub-agents and, in addition, a commission on all renewals of that district.

Competition brought in special agents and "executive specials" to help the general and local agents. The executive special "knew all about the business, had been all over the country and knew just how to strike the wealthy man for a big policy." But his methods became questionable. Going from place to place, he cared but little what the people thought of him; he used the basest means to get applications and consequently earned the name of rebator and twister—a person dreaded and despised by all who knew anything about his work.

This has led in a large measure to a change in the organization and compensation of the agency forces. As an interesting example of this kind we quote the following from a special circular issued by one company for the express purpose of attracting the attention of agents.

"The — Life Insurance Company of — is not operated under the old-fashioned "general agency" system, but upon the "Twentieth Century" or direct contract plan. Every man is a Manager, a General Agent, a District Proprietor in the business for himself. We want good capable, hustling men under Direct Contract with the company; to such we grant a most liberal agency arrangement.

This is an "Agent's Company" where every man has an equal chance, where hard persistent work wins.—There are no fences around the headquarters of the company to keep the individual agent at a distance; no barriers to any man's ambition.

A large part of the compensation that formerly went, *and now does go* (in the majority of companies), to someone else, with us goes into the pocket of the men *who actually get the business*, by having their contracts direct with the company."

Other cases of a similar character might be cited, but space forbids. Suffice it to say that the large and exclusive territory formerly held by the general agent has been, in a large measure, cut down, and his place has been taken by agents having smaller territory, less exclusive, but more directly responsible to the home office. The compensation of agents has been placed more largely on a salaried basis. The first year's commission has been cut down, and the renewal commission has been increased during

the first few years to make the agent stay and aid in keeping the business in force. Instances are known where ninety or even a hundred per cent. of the first year's premium was given on new business, while the commission on renewals was about four or five per cent. At present the usual commissions range from twenty-five to fifty per cent. on the first premium and from five to seven or eight per cent. for five or ten years on renewals. The practices of the individual companies vary so much, however, that generalizations are unsafe and of little use.

Substitutes were mentioned in the first part of the paper as being eliminated from competition in insurance. That is true theoretically, for there can be no substitutes for pure insurance. In actual practice, however, the companies meet with the most intense competition from this source. The substitutes are assessment and fraternal associations, savings banks and trust companies. The legal reserve life insurance company combines the functions of all these, to a greater or less degree; hence it becomes a question of efficiency in the handling of funds or of providing protection, although the matter of advertising is very often the governing factor.

Fear has sometimes been expressed concerning the size of the companies, and attempts have been made to fix a limit on the amount of insurance to be carried by any one company, but such attempts have utterly failed in their purpose. If they have had any effect at all, it has been to prod the companies on to make an additional scramble for new business.

In conclusion then, the point where competition has been most intense is in placing the goods on market. There has not been any cheapening of the goods, but on the contrary, the cost has been increased. The quality of the goods has not been improved, except in so far as the liberalizing of the policy and the decrease in failures have added to the convenience and security of the policy holder. The decrease in failures can hardly be said to be due to competition, except in an indirect way. It has rather followed the line of natural development, but it is also due largely to the efforts of governmental supervision. There are signs, however, that competition will develop along more

healthful lines, for many of the leading companies have begun to show in their advertisements the actual results to the policy holder. This practice is commendable, and it is hoped that it will be continued and extended in the future. Then the prospective policy holder will neither be dazzled by large figures nor confused by misleading ratios, for he will have intelligible facts that will show with reasonable certainty what he can expect as a net return on a policy.

L. A. ANDERSON.

Madison, Wis.



## DOCTRINAL TENDENCIES—FETTER, FLUX, SEAGER, CARVER.

THAT in fundamental doctrine, and thereby in terminology, the present is a time of instability and of drifting, if not of transition, in economic theory, makes especially desirable an occasional taking of reckonings and an attendant scrutiny of the direction of movement. It is therefore in no small degree fortunate that four works in economic theory have lately been offered to the English-speaking public, each of great merit for its particular field, each admirably illustrative of a definite point of view and a specific tendency in economic thought, and all together lending themselves readily to the comparative method of exposition and discussion. This method of juxtaposition and comparison will be adopted in the following pages, in the hope that it may thereby become possible to bring out the theoretical points at issue in sharper definition, and at the same time to obtain a more accurate appraisal of the adequacy and promise of the different proposed solutions.

Obviously, however, it will not be possible to cover all the points of issue or of interest; only doctrines of leading importance and concepts of especially strategic quality are practicable of consideration; attention will therefore for the most part be confined to the concepts of *profit*, *capital*, *interest*, and *marginal utility*, and to the doctrinal relations set up between *cost of production and profits*, and between *cost of production and rent*. These subjects are safely to be regarded as so controlling in character, or so significant in implication, as to render a more detailed report or analysis in most respects unnecessary.

### PROFITS.

The trend of opinion is here quite evidently towards making *profits* a subhead under wages,—that is, one form of remuneration for the human factor in economic activity. Professor Fetter's notion is distinctly of this sort:

"Profits are the net gain of the enterpriser after counting the rent of material agents and contract wages . . . the income

attributable to the enterpriser's services . . . Economic profits are not *contract* wages, not being fixed by agreement, but being yielded impersonally by the industry. Profits are, however, economic wages or the earnings of services . . . due not to risk, but to superior skill in taking risk . . . earned in the same sense that the wages of skilled labor are *earned*."—*The Principles of Economics*, Fetter, ch. 31, *passim*.

This is not, one infers, a denial that the taking of risk may be the characteristic and distinguishing mark of entrepreneurship, but it is a denial that compensation for risk is profit, unless in the measure that the compensation is more than the value and burden of the risk.<sup>1</sup>

Professor Seager defines profits as "balances left over from the sale of products after all of the expenses of production have been paid."—Seager: *Introduction to Economics*, p. 55.

In a state of normal equilibrium the competition of entrepreneurs would bring it about that "the profits of entrepreneurs would just cover wages of management" (p. 172).

It is thus evident that in arriving at the profit-remainder, Seager would conceive of compensation for one's own land and capital as a form of expense—"virtually an expense"—as he puts it elsewhere; this leaves profit substantially as Fetter conceives it, with some doubt possible as to the precise relation in Seager's view between risk and profit.

Professor Flux's notion of profit is more difficult to make plain; but it is formulated in better recognition of the latter-day forms of business organization.

Under entrepreneur, that is, under non-corporate management, profits are seemingly regarded as in approximate parallel with wages:

"So long as the business man was in large degree owner and manager at the same time, his remuneration naturally covered

<sup>1</sup> This falls in with Professor Carver's view that the "profits of insurance are a kind of risk-taker's rent. They owe their existence to the fact that they are not the reward of risk-taking, but that they are a surplus over and above the real risk assumed. [The entrepreneur's risk-rent] is due not to the risk that he assumes, but to the risks that he does not assume . . . Stated more accurately . . . his net income or profit arises from the fact that he is able to reduce his own risk below that which others would have to bear."—*Quarterly Journal of Economics*, May, 1901.

the return to capital and to organizing effort . . . The growing use of capital by other than its owners required the separation of the remuneration of the capitalist . . . from that of the undertaker . . . Later we have seen the growth of a great system of joint stock enterprise . . . The replacement of the independent owner of business enterprises by a salaried manager seems to suggest a further analysis of profit."

But under the non-corporate form of organization,

"the capable entrepreneur reaps a reward corresponding to his superiority over the less capable man with whom he is in competition . . . If he gets the use of capital on better terms, it is because of the lower risk associated with his control than with that of the others who pay a higher rate . . . The gains of the highly remunerated entrepreneur . . . are certainly not secured by enforcing harder terms on labor than labor secures from their rivals . . . Whether the earnings of employees who just maintain themselves as employees be regarded as made up wholly of wages . . . and in no degree of profits; whether we call the whole of the earnings, even of these entrepreneurs, profits, the important implication of this view of the case will be substantially the same . . . [But] the later organization separates the remuneration of the manager from that of the owner . . . The distributive share known as profits, then, has, in practice, had the remuneration of the services of management cut out of it. What is left, profits proper, represents the share of those who take the risks and assume the responsibility of directing the general lines of policy which the manager is to carry out."—Flux: *Economic Principles*, ch. 10, *passim*.

Fully worked out, however, this more actual treatment would not diverge, for theoretical purposes, from that of Fetter and Seager. Doubtless different forms of personal activity are included within the function of ordinary entrepreneur manager-ship; some of these activities are more detailed or more clerical in nature than others; but in any case all are personal activity and are remunerated as such. That a part are delegated—the less responsible part—to salaried employees, leaves the residuum of remuneration none the less a remuneration for personal activity, a wage impersonally received from the market without the intervention of an employer. The dividends to stockholders are, then, in part net interest, in part higher interest received because of the danger of not getting any interest or of losing the

principal,—in part profit due to differentials between the burdensomeness of the risk and its compensation, and in part reward for the function of ultimate supervision. It is not to the point for present purposes to ask whether these last are more or less than adequate as an ethical or social problem.

Professor Carver's concept is more nearly in line with the later German terminology; wages of management are excluded.

Notwithstanding the fact that in one place he notes that "it would be expensive . . . to grow wheat on land worth \$1,000 an acre for market gardening; such land is worth \$1,000 an acre for that purpose because of the large profit that can be made in that business; to grow wheat would be a sacrifice of these profits;" (p. 42)—a use of profits in the sense of gross return,—his more careful formulation restricts the notion to "only that which is left over after all the other shares are paid" (p. 278). Risk profit, by which is meant the excess in the payment for the risk over the actual burden of it, and skill in bargaining whereby productive agents are "more frequently employed at a price slightly under than slightly over their marginal productivity, explain the fact that business men *as a class* receive a share in addition to their net wages, rent, and interest;" (p. 269)—that is to say, profits are something over and above wages of management.

But on the whole, if these authors may be taken as representative, there appears to be in economic usage some clearing up of the old indefiniteness in the meaning of the term profits, together with a marked tendency to regard profit as merely a subhead under the general principle of wages—one form of remuneration for the personal factor in economic activity.

#### CAPITAL AND INTEREST.

Questions enough present themselves with reference to capital and interest:

Is the capital category confined to products of labor? Is the question of genesis in any view important for the definition? If the distinction between production and consumption goods is important in the case, why deny that land is capital? Or, if the distinction is technological and mechanical in significance, pointing

to instrumental goods—appliances—*outillage*,—how again shall land be excluded, and how shall ice and wine be included? And if the coal waiting for winter and the cider aging to vinegar are capital by virtue of their value increase, why does not the capital category include all wealth postponed in consumption? And what again becomes of the distinction between land and other production goods? Or between different production goods of whatever sort? Or between any goods of any sort?

With the abandonment of all technological and mechanical tests of capital, must not the notion of productivity take on a distinctly new meaning, and the fact of interest call for a radically modified explanation?

Again, shall capital be socially or competitively conceived? From the private-competitive point of view, what will remain of the separate land category, or of the established acceptance of productivity? Will social productiveness retain its relevancy, or materiality and concrete tangibility their significance? With consumption goods as merchants' stocks in trade, pleasure-boats let out for hire, roulette tables a source of individual gain, obligations resting on personal credit a recognized field of investment, royalties collectible upon patents, interest receivable upon consumption loans,—what remains of the attempt to interpret the capital concept as a subhead under social capital or even under social wealth? And what of the traditional notions of productivity, and of the derivative explanation for interest?

Seager is prevailingly conservative: "Man and nature are the primary factors in production; secondary or derived from these is capital, *the product of past industry used in aid to further production*" (p. 108),—a concept genetic in character, social and technological rather than individual or competitive in point of view. Interest is "what is paid for the use of capital. From the point of view of distribution, it is the share of income that is assigned . . . to the owner of capital goods for the part the latter play in production. Unlike rent . . . it is not paid for the use of unproducible gifts of nature, but for the products of human industry" (p. 244).

Interest on consumption loans receives small elucidation hereby, unless it be argued that the rate for these is reflected over



from the capital-use rate; in reply to which, it would be equally fair to deduce the capital rate from the consumption-loan rate. But Seager says "in connection with the borrowing and lending of purchasing power; interest for the use of purchasing power presents no exception to the general statement that it is the share of income earned by capital goods, since pieces of money are themselves such goods" (p. 252).—which suggests that, after all, capital goods are something else than production goods in any technological sense; and the difficulty becomes greater when it is called to mind that "under certain limitations, credit or mere promises to pay money made by individuals or banks in which the public has confidence, may serve the same uses as money and like it command interest" (p. 252). It may, indeed, be truly urged that the money or credit may be used to purchase capital goods and may therefrom secure interest by right of their productive power, but it is clear also that the purchase may be of consumption goods, or, for that matter, of lands or labor,—at which point we are back at the old difficulty,—together with some other difficulties.

Despite the fact that Seager has defined interest as pay for capital uses, he declines to condemn the Austrian doctrine that the rate of interest is the premium of present over future goods; the doctrine is, indeed, accepted, seemingly as thereby extending the thought of interest over all economic goods whether of the production or of the consumption sort; but Seager believes "that it can be shown that Prof. Boehm's rate of discount depends, at last analysis, on the productiveness of capital goods," and that the seeming opposition between the two views can thereby be reconciled. The discount view or premium view as based upon mere perspective is regarded as a saver's or lender's attitude, productivity as the explanation of the demand side. But would there be no interest, even if all loans were consumption loans? This again is the old difficulty.

"Crusoe might satisfy his need by scooping up the water in his hands. This would be direct production. Or he might make a cup of bark in which he could dip out, by stooping over, all the water he would need. Such a cup would be a capital good and the process would be capitalistic production" (p. 125).

The cup saves labor; but so does a chair; so does a clothes brush; so does soap; we are now in the field of service-incomes rather than of technological productiveness.

And occasionally Seager lapses into adopting the competitive point of view. Perhaps he does so—and perhaps not—as led thereto through the acceptance of the abstract-capital concept:

"Capital goods wear out and need to be replaced . . . But capital, as the business man understands it, is more permanent . . . The money equivalent of the complex of capital goods changes little if at all. Each year's inventory shows about the same aggregate, although each year the particular capital-goods embraced in the inventory are different from those of the year before" (p. 127).

But the things so inventoried may conceivably be none of them any longer capital goods, technologically or socially considered. The assets may, in fact, have originally been, or at all events, may have changed into, patent rights, debts, franchises, goodwill—any basis of competitive gain. For whatever there is in it, the abstract-capital concept is neither technological nor social: it is distinctly private and competitive.

However, upon the same page, in discussing the distinction between fixed and circulating capital, Seager says: "Raw materials such as coal, iron, etc., are as a rule very mobile. They may be directed at will to any number of different productive uses . . . Some writers assert that of all forms of capital, money is the most mobile, having in mind the ease with which it may be exchanged for other goods. This important quality is not mobility, but exchangeability." This notion of mobility, it goes without saying, is social in point of view as against private or competitive.

According to Flux,

"The idea of capital is associated with those parts and forms of wealth which are used to secure future wealth rather than present gratification . . . The essential features connected with the conception are that it embraces the wealth used to produce or secure a future income. Now the income may be . . . an income of satisfactions directly secured by the actual use of capital. Thus a yacht yields to its owner an income . . . the price received for its hire or the . . . gratification from the use

of the yacht . . . If this view of capital be pushed to its extreme, it will make the definition embrace all produced wealth not yet consumed, even though it take a form of little durability and the act of consumption be in progress" (pp. 16-18).

This definitely abandons the technological basis of the concept, but yet remains social rather than competitive in its standpoint. The social connotation, as well as a distinct doctrinal preference in cost directions, is implied in the exclusion of land from capital, "since in its essential it is a gift of nature, not the product of labor" (p. 18). The non-competitive character of the classification is also clear: "From the point of view of individual producers, however, land is commonly looked on as part of capital . . . To the individual it appears as a particular productive instrument, and whether it owes its power of rendering service to human labor or to nature is practically a matter of indifference. Its qualities, rather than how these qualities came into existence, are the matter of importance." Despite, however, these excellent reasons, from the competitive standpoint, for assimilating land to capital, the social-technological concept is retained: "Land is provided by nature . . . Its amount cannot . . . be increased or decreased by human effort, [?] and some of its most essential characteristics are beyond the control of man to modify or destroy. Hence land does stand in a different category from capital when looked at from the point of view of the community<sup>1</sup>" (p. 18).

*Interest*, according to Flux, is remuneration for capital productiveness:

"The capital which is productive is not, strictly speaking, money capital, but instrumental goods acquired by means of the money capital . . . The market for capital is a market for values, while the utilization of capital is a utilization of actual instrumental goods by means of which are secured other goods, whose value enables payment to be made of a price for its use. The thing which is bought and paid for by interest is control of capital" (p. 89).

"Whence arises the productivity of which the profit is an expression? . . . More roundabout processes are as a rule more efficient than those which are less roundabout" (p. 90).

<sup>1</sup> See paper by the present writer in December, 1904, *Journal of Political Economy*: "Capital as a Competitive Concept."

But that this reads like technological productivity is not altogether conclusive of the author's meaning: on p. 87 he does something to get the productivity notion into relation with the extended signification accepted for the term capital:

"In the mercantile field there is use for a considerable amount of capital in the form of purchasing power, to assist in the exchange of goods. In the industrial field the capital must be used in the form of instrumental goods in order to be made productive . . . The merchant only makes his money productive by becoming the possessor of goods to which goods he imparts a further utility due to changes of the goods in place or time . . . His investments of the purchasing power (money), which forms an important part of his capital, are thus such as to convert it into instrumental goods as truly as are the investments of the builder of an ironworks or a factory. The differences lie in the nature of the changes which take place" (p. 87).

And in point of fact, the notion of capital is, in the course of the author's discussion, made so wide as to include savings, debt relations, and all forms of deferred consumption expressed in purchasing power:

"The borrowing and lending of capital is, under modern conditions, comparatively rarely a borrowing and lending of instrumental goods . . . The savings . . . are savings of money, or rather, of rights to commodities, the amount of which is estimated in money, say, savings of general purchasing power" (p. 87).

This last appears to be an abandonment of both the social-technological and the social-wealth concepts of capital, and an adoption of the private-competitive concept. The author would, however, probably not accept this interpretation, and it would require here overmuch space for its justification. But surely there is no assurance that the borrowed thing, purchasing-power capital, will be invested in instrumental goods as against land or labor or good-will or patents or franchises or what not.

Fetter's notion of capital goes without faltering to the limit more or less dubiously reached by Flux: *Economic wealth expressed in terms of the general unit of value*, (p. 115) *wealth being taken to indicate* "all economic goods in existence."

It is not clear here how much significance is to be attached to the omission by Fetter of the word *material* contained in his earlier formulation,—"*Material things conceived in one aspect, their market value.*"<sup>1</sup>

At all events no distinction is, for capital purposes, admitted between lands and other wealth. The concept is, in all important aspects, identical with that of Professor Irving Fisher. All technological suggestion is wanting. But the concept is essentially social in character rather than competitive; it does not provide for rights, debts, franchises, patent rights, good-will,—bases of individual acquisition rather than items in the collective well-being. So limited, it fails to articulate with Fetter's concept of cost; but more of this later.

*Interest* Fetter defines as "the amount paid by one person to another for credit given in terms of money"; later he asserts interest to be "but an expression of a larger problem, that of the difference in present worth of two goods at two periods of time" (p. 131).

Interest, then, as a money payment on a money-valued loan has no necessary technological connotations. It is merely a case of time-value reckoned upon money, or upon things valued in money and treated as equivalent to money. The problem of the causal relation between time-value and technological productivity receives no discussion, it probably being regarded as not merely over-difficult but over-controversial. It is, however, especially with regard to this aspect of the interest problem that Professor Fetter's views have received—and perhaps have merited—most protest.

Carver's definition of capital as "concrete material articles produced by human effort and used by their owners for the purpose of securing an income," (p. 12) is in point of formulation private and acquisitive as distinguished from social and technological. Later this appears more clearly: "Not all capital consists of tools nor even of instruments of production. Some

<sup>1</sup> Recent Discussion of the Capital Concept; *Quarterly Journal of Economics*, Nov., 1900, p. 41.



of it consists of consumer's goods which are loaned, rented, or hired, and from which the owner derives an income" (p. 212).

But as a private and acquisitive concept there is small justification for including consumers' goods within capital while excluding land. Nor is it clear why, from either a social or an individual standpoint, consumers' goods used by someone other than the owner should be regarded as furnishing an income, while in the hands of the owner they are not so regarded. But the notion that time-income goes with all wealth and that capital should be conceived as including all consumers' goods as well as all production goods, is condemned by Carver;—only consumers' goods "loaned, rented or hired" fall within the capital notion.

This want of consistency receives emphasis when the concept of interest and the explanation of interest-income are considered; the explanation for interest is found in technological contributions to value productivity, marginally analyzed. But capital as an acquisitive category and interest as a technological category are not articulated concepts.<sup>1</sup>

Despite the consistently private-acquisitive nature of Carver's capital concept, and despite his fundamental thesis that all agent-remunerations are received upon the basis and by the measure of their marginal value productivity, he yet finds it possible to distinguish land from capital. Flux's position on this point was, as we have seen, partly determined by the social leanings of his point of view; this justification is, however, wanting for Carver; with him the basis of the distinction is technological, so far as it is not imposed by certain doctrinal exigencies on the sides of costs. But he has himself done effective service against the technological distinction:

<sup>1</sup> It might, it is true, be argued here that *as a distributive fact*,—as having to do with the partition of the social dividend,—no income upon any consumption loan can possess significance. But in any view, consumption loans have this much of significance, that they must function as deductions from the supply of capital used for production purposes. By affecting the supply, these loans affect the interest rate upon production goods; consumption loans are a part of the demand for acquisitive capital. But in the last analysis, the denial of productivity to any form of deferred consumption,—ice, cider, flour, bread,—cannot be sustained.

"There are various kinds of labor, of land, and of capital. Two different kinds of labor may be performing functions which differ almost as widely as those performed by labor and capital, or by labor and land. The work of a bookkeeper differs as widely from that of a ditch-digger, as that of a ditch-digger does from that of a steam shovel. Therefore, the same reasons which favor the separation of labor and capital, in order that they be treated as distinct factors, will also favor the separation of one kind of labor from another, or one kind of capital from another, and of one kind of land from another" (p. 85).

Admitting that "other goods are in their original form free gifts of nature as truly as land," he adds: "If, however, the community should grow in population, a real difference . . . would begin to appear" (p. 108). But probable changes of the conditions within which the value and distribution problem may have to be worked out,—a forecast in the dynamic field as to possible variations in the respective supplies of different productive agents,—do not, for static purposes,—for the value analysis and the distributive problem of any given time,—necessitate distinctions between different classes of productive goods. Possible distinctions of this sort are in last analysis technological in bearing and "will also force the separation of one kind of labor from another, or one kind of capital from another, and of one kind of land from another."

Nor, in fact, in view of the rôle of improving transportation in opening up new lands, can it be established that increasing population has met in the past, or is likely in the near future to meet, any shortage of land relatively to other agents.

To the point that land is sometimes made by dykeing tide lands, or draining swamps, or filling lakes, it is replied that "there is not enough made to have any appreciable effect . . . The difference in degree is so great as to become a difference in kind" (p. 110). But here again the argument for inelasticity fails from precisely this fact of transportation; it is true that geographical land is not made, but accessibility is—and upon an enormous scale.

But even for the dynamics of the case, Carver appears to see no great significance in the distinction under examination,—though enough to justify it: "When the fertility of the soil

is the principal factor in the value of land, and the indestructible qualities of minor importance, there is less room for the distinction" (p. 129).

It is thus obvious that the present position and trend of the capital discussion, as represented in the four works under consideration, are not altogether easy of statement: But

1) The technological concept appears to be in process of abandonment.

2) The social character of the concept is, in the main, but not consistently, preserved.

3) There is some tendency to include, as within the principle of the concept, all cases of time-premium of present over future goods.

4) But whether rent is merely a case of this time-discount principle, illustrated in land-lending, is matter of serious controversy.

5) The doctrinal relations between rent and cost of production are falling under question. (This, however, is more properly a part of the cost-of-production discussion, still to come.)

6) The relations between technological productivity and interest rates are hardly so far in controversy or even under discussion as to furnish justification for a tendency-judgment; but the older doctrine receives for the most part tacit acceptance.

#### VALUE ANALYSIS.

In varying degrees of detail and with wide differences of emphasis, the utility-and-margin analysis is employed by all four writers.

Flux states the law of satiation as follows: "The marginal utility of a commodity decreases as its supply increases;" but this is rightly held to be a matter purely of the individual psychology: "The direct comparison of the urgency of the wants of different persons for any commodity is not feasible,"—and, it might have been added, is in the nature of the case impossible; the feelings of different human beings are not commensurable quantities. "We can only compare the offers made by different persons for additional supplies of a commodity . . . The

principle previously enunciated takes this form: the marginal demand price of a commodity decreases as the amount already supplied increases" (p. 22).

The use of the term *demand* to indicate the amount purchased at the price is not approved by Flux: not the demand but the purchasing varies with the varying price. (See p. 30.)

Seager goes into the value analysis with much greater minuteness; but he fails to recognize the essential incomparability of the feeling-items of different persons; e. g., "If an approximate notion of the importance of the total supply of a commodity is sought, the only way to proceed is to add together the utilities of all the different units used by man" (p. 83).

However, he thoroughly and accurately analyzes the nature of utility in the individual schedule, and adequately presents the Austrian concept of subjective value under the name use-value, with, it is to be added, an occasional improvement: "Men value [meaning, each man values] units of commodities in proportion to their marginal utilities. Value [in this personal subjective sense] is thus man's estimate of marginal utility." And that use-value [subjective value] is marginal in its basis "makes the value of a single unit multiplied by the available supply of units quite misleading as an index of the total importance" (p. 83). Valuation of the group as an indivisible aggregate would give quite another result.

*Demand*<sup>1</sup> is defined by Seager in precisely the way condemned by Flux, as "effective desire, that is desire coupled with ability

<sup>1</sup> "When price falls, a determined scale of wants being given, more consumers purchase; when, on the contrary, prices rise, fewer consumers purchase. Here we have to do with the extension or restriction of consumption in accordance with a *given and determinate law of demand*. But the extension or restriction of consumption is termed an extension or restriction of the demand, which gives rise to endless ambiguities. By the use of the graphic method these ambiguities are avoided. . . . The consumption, to speak accurately, or figuratively the demand, is extended or restricted; but it neither rises nor falls."—Pantaleoni: *Pure Economics*, 148, 167 (Macmillan, 1898).

"The economists mean by demand 'the amount of a thing sold.' I mean by it the force of a buyer's capable intention to buy. In good English, a person's demand is not what he gets, but what he asks for."—Ruskin: *Munera Pulveris*, ch. iii, Ad Valorem.

to pay the current price . . . When demand increases or decreases readily in response to price changes it is said to be elastic;" all of which explains demand by price rather than price by demand.

The value discussion of Fetter is perhaps the least satisfactory part of his original and stimulating work.

"The marginal unit of any given supply,—for example, ten units,—is not any particular unit, it is any one of the ten units. . . . As the last or marginal unit of the supply may be used for any purpose, the influence of each and every unit, when once present is, in a logical sense, a marginal unit" (p. 25).—all of which is true as a fact of the individual psychology; but the error is made of supposing that this marginal utility analysis will apply not only to an individual but to men taken together, to "the person or persons." In point of fact, as the context shows, when the talk is of "the dependence felt by men on the whole group," the thought is not of men distributively but of men as aggregates,—something like the society-as-an-organism concept.

"The dependence felt by men on the whole group is the product of the units by the marginal utility" (p. 25). Aside from whether a social utility of value is implied here, it is to be objected that the utility of a whole group, considered as an indivisible aggregate, is not the product of the marginal utility multiplied by the number of items: the subjective value of the *group* is precisely parallel to that of the marginal item; it is in the loss in service involved in the loss of the group. Subjective value and marginal utility are for most purposes equivalent terms,—in either case, however, always a quantity purely of the individual psychology and an absolute magnitude of feeling. Thus the following illustrates a widely prevalent confusion between utility and subjective value (marginal utility): "At a given moment there is a given number of units and there is but one marginal utility, and this is the same for each of the units. It is quite erroneous to say that when there are 30 units, the utility of the tenth unit is 36; of the twentieth 25; of the thirtieth 19. It is equally illogical and incorrect to say that when there are 60 units, the 'total



utility' is equal to the area between the right angle" etc. "and the curve" etc. "while the value is equal to the rectangle," etc.: all of which is a confusion not merely, as the context shows, between the individual and the social, but between utility and marginal utility,—subjective value—that which, breaking both with English tradition and with Austrian usage, Seager calls *value in use*. All the different utilities have the same subjective value, that of the marginal item, since by substitution equal importance attaches to all; but they have not the same utility. Thus Seager is accurate when he asserts that "free goods have no value in use:" Fetter's formulation would deny utility to free goods, permitting utility to emerge only as a result of scarcity. And yet scarcity alone is not sufficient for value; what name shall serve to denote this other essential?

"The law of individual demand is: The trader will reduce his stock of a particular good to the point where its marginal utility equals that of the alternative goods" (p. 29). But on p. 30 it is said: "Exchange in the usual economic sense is the transfer of two goods by two owners each of whom deems the good taken more than a value-equivalent for the one given."

*Utility* and *value* are here made equivalent terms: but traders who are trading for purposes of consumption and not for re-sale always have the utility-gain and not the value-gain purpose in mind; value can be applicable in the case only in the sense of subjective value,—marginal utility—what Seager calls use-value.

In chapter 5 it is correctly stated that "the advantages of exchange consist in raising the want-gratifying power of goods to both parties:" and this principle obviously applies equally both to barter and to money exchanges; the orange-and-apple illustration of barter is excellent for the elucidation of the utility relations worked out through barter. But the implication that the illustration applies to elucidate changes against money is most unfortunate. Marginal utility has only a round-about relation to the marginal offer—the marginal purchaser's price; that two men are bidding the same sum and that each is bidding all that he can and will, implies absolutely nothing as to any equality of utility and implies no vaguest qualitative or quantitative relation between the utilities under consideration,

but only that there is an equality ratio for each man between the utility of the thing to be purchased and the thing which is, by parting with the purchase price, foregone; the only equality is an equality of ratios between utilities. To the rich marginal purchaser, the utility obtained and the utility foregone are of approximately equal, but of slight, subjective value; to the poor purchaser the same equality between obtaining and foregoing holds, but the terms in the equality ratio are of very considerable subjective value. Ratio relations between subjective values are, then, the only comparable quantities in the demand or in the supply schedules.

*Demand* with Fetter is the concept of Seager rather than that of Flux: "In the case of any good . . . a change in its ratio to other goods will increase the demand" (p. 29).

Carver makes no attempt at minute or exhaustive value analysis: he assumes that the problem of distribution involves no more serious call for value investigation than can be met through a summary and more or less taken-for-granted discussion of cost of production:

"The value of an article depends upon how much it is wanted in comparison with other things . . . We shall find that wages, or the value of labor, are no exception to this rule" (p. 134).

Here the phrase "how much it is wanted in comparison with other things" is susceptible of being understood as nothing more than a paraphrase of *demand price*; by itself it certainly need not be interpreted as a resolution of value into utility or into any degree or quality of utility. But whichever interpretation may be the fair one, it is clear that no one demand price, marginal or other, and no total of all the different demand prices is sufficient to explain value; and it is equally clear that neither utility nor marginal utility is more adequate.

But upon p. 19 is a more definite intimation that the explanation for value is to be found in utility:

"A larger supply would have to be sold at a lower price if it were sold at all, in order to tempt a new group of consumers, who want it less in comparison with other things, to

become buyers. This principle of diminishing utility may be illustrated by means of the diagram on p. 19. Let us suppose that the amount of a given commodity, bread for example, in a given time and place, is measured, etc. . . . This of course assumes that there has been no corresponding increase in the number of persons wanting bread, etc." (p. 19).

But evidently so far as there is any explanation on the demand side alone, it must be in terms of demand price rather than of utility as the final fact. But perhaps the formulation of the doctrine is hardly definite enough to render criticism safe. It does, however, seem fairly inferable from this and from other passages, that Carver believes in the possibility of a social utility, or at all events in a sufficient degree of homogeneity in the utility-feelings of different men to make these feelings commensurable and susceptible of union. (See pp. 17 and 18.)

In summing up this aspect of our investigation, it may therefore be said that the situation of present theory in respect to the subjective-psychological aspects of value is not reassuring. Either through want of intelligibility or by the fact of inherent unacceptability, the Austrian analysis and jargon have served thus far mostly for the confusion and dis-harmony of economic theory both in doctrine and in terminology.

#### COST OF PRODUCTION.

##### (a) Profits. (b) Rent.

It is assumed or asserted by all four writers that the cost-of-production problem is important purely as an investigation of the forces and conditions affecting supply: "Cost of production seems to exert an influence on value because it expresses a condition which must be fulfilled (i. e., the cost of production must be worth while incurring) if supply is to be maintained." (Flux: ch. 4.) "The supply of any particular product in any market is at last limited by cost of marginal producers or of marginal portions of the supply." (Fetter: ch. 30.) "Cost of production affects value only when, and so far as, it affects supply." (Carver: p. 32.)

Taking, as Flux's point of view, his statement that "no regular supply will be produced the expense of production of which exceeds the value of the product; the consideration of this position puts before us the expenses of production as a measure or index of the limitation of the supply," we note that this is a distinctly individual and competitive notion of cost: as such, attempt will be made to apply it to a definite problem of cost, as cost presents itself to the business man.

Let it be assumed that a hat manufacturer, against each two dollars worth of product sold, has paid out 75 cents for raw materials, 75 cents for labor, 20 cents for borrowed capital; that as shoe manufacturer,—his best alternative opening in manufacturing,—he could for the same time and outlay as in that production obtain \$1.85 of product; and that as wage-earner or salary-receiver,—purely as an employee,—he could earn ten cents in the time taken to produce the hat or the shoe product: what is his cost for hats? What is the lowest selling price for hats at which "the costs of production are just worth incurring,"—at below which the expense of production "exceeds the value in exchange of the product,"—the remuneration, in short, which he must have, if he is to continue to produce hats,—what the French call the *prix de reviens*?

The expenses of production must include:

The raw material.....	\$ .75
Wage outlay, etc., .....	.75
Interest outlay, etc., .....	.20
	<hr/>
	\$1.70

These are all his outlays—all his payings-forth—his *expenses*; but will a sale price of \$1.70 for the product suffice to command from him the continued production of hats? Evidently he must have more than his *expenses* in the strict etymological sense of the word. But how much more? How low can the price of hat-products go and he remain in production?

Flux answers as follows:

"The influence of cost is felt in determining whether it is profitable to produce that supply in view of securing the price so determined, whether the supply can be, economically speaking, maintained . . . The term 'supply price' here used means a

price adequate to induce producers to prepare, and offer for exchange, a supply corresponding to that price. It must therefore be a price sufficient to cover cost of production, and, if competition be vigorous, the excess over cost of production will not be more than sufficient to afford such profits as competitors need to secure in order to continue in competition. Some writers use the phrase 'necessary profits' to apply to the level to which competition tends to reduce profits, and such 'necessary' profits are often taken to be included in cost of production" (pp. 52 and 57).

Stopping merely to note that *expenses of production* and *cost of production* are here used as interchangeable terms, we deduce from the passage cited that the amount to be fixed as the cost requirement is not necessarily \$1.85 or \$1.80, but is a sum "not more than sufficient to afford such profits as competitors need in order to continue in production." Profits which would content other producers are the "necessary profits" for this producer, whether or not,—one takes it—he finds himself on any other ground able to be contented.

Fetter holds that

"The value of the product as a whole cannot be related to the psychic cost or sacrifices ['pain, fatigue, irksomeness of labor'] and therefore it cannot serve as a measure of cost in everyday business. Alternative cost is any good or gratification that must be given up when any other good is chosen. In this sense each thing is a cost of every other thing that might be chosen in the place of it. Alternative cost is, therefore, manifold and indefinite. The thought is significant at the moment of choice, but is not constantly measureable for practical purposes. Money cost is the practical cost generally implied in the term cost of production . . . The enterpriser's costs determine the lowest price at which he can continue to sell, but if successful, he may have a wider margin of profit" (p. 274).

Recalling that Fetter's definition of profit is "the income attributable to the enterpriser's services," and remembering that displacement costs must not be regarded, and that only the "money paid out by the producer" is "practical cost," \$1.70 must be Fetter's solution of the problem in hand. And yet \$1.70 is clearly not "the lowest price at which he can continue to sell;" it is much lower than the lowest.



With Seager the distinction between *cost of production* and *expenses of production* is significant. In cost he reflects the old doctrine of pain cost,—psychic cost, as Fetter has it,—but with the addition of some modern doctrine about displaced leisure and displaced consumption-time. "The sum of the efforts and sacrifices that are involved in production constitute . . . the cost of production . . . Effort, . . . exercise which involves some discomfort or pain . . . sacrifices, . . . the doing of things that are less pleasureable than other things that might have been done but free from any element of pain" (p. 53). Just what use or part this kind of cost has in Seager's system of theory is not easy to get at; but "contrasted with the costs of production which are psychological or subjective, are the *expenses* of production—advances made for materials and other things which coöperate in bringing about productive results. The latter are objective and may be expressed as sums of money comparable with the prices received for products" (p. 54).

Whether these costs are confined to those technological facts which aid in bringing about productive results, a social concept of productiveness, or whether "all other things" includes expenses for patents, royalties, franchises, privileges, good-will, legislative and municipal favors, etc.,—that is, whether the production under consideration is conceived private-wise and competitively, as matter of individual acquisition, need not concern us here.<sup>1</sup> At any rate,

"The *expenses of production* include every item of outlay which producers must normally and regularly incur to put goods on the market and effect their sale, and also such compensation as producers normally and regularly require as the condition of their continuing to serve industrial society in the capacity of entrepreneurs. These items are as follows: 1) Outlay for materials, wear and tear of buildings and machinery, etc., which may be included under the *expense of replacing capital goods used up in production*. 2) Premiums paid for the insurance of capital goods. 3) Interest for the use of capital. 4) Wages to laborers of all grades. 5) Rent of land and

<sup>1</sup> Cf. Capital as a Competitive Concept, December, 1904, *Journal of Political Economy*.

natural power used in production. 6) Taxes. 7) Minimum profits to the entrepreneur to remunerate him for his own time and trouble" (p. 157).

What then would be Seager's answer to our hat-cost problem? How much as cost shall be allowed under the head of minimum profits? Seager has a displacement-cost doctrine; but wage or salary alternatives are the only ones admitted to consideration: "The amount that should be charged as wages of management or minimum profit is what the entrepreneur could obtain for his services if he worked for wages or for a salary for a corporation or other employer" (p. 159). One dollar and eighty cents is then the answer. But it is nevertheless clear that at anything short of \$1.85 he will shift to shoe production.

Now let the problem be modified somewhat; let the raw materials and the wages stand each at 75 cents as before, but let the interest out-payment be only 10 cents, the employer using his own capital to the interest value of 10 cents. Will this modify the solutions given? Not with Seager: *expenses* are to be understood as including interest items of this sort: "The item appears whether, in the particular business, borrowed capital or capital belonging to the firm is used . . . It is virtual outlay." Precisely so; but *expenses* strikes one as a passably poor term to denote the interest on one's own capital; and it is outlay of any sort only in the sense of a displacement fact,—an opportunity cost.

It is difficult to be certain of what Fetter would make of this case, though it is fair to suppose that, by some sort of recognition of this phase of displacement cost, he would somehow arrive at a conclusion similar to that of Seager. And for him also the awkwardness would present itself of making this cost fall within "the sum of money paid out by the producer."

With Flux likewise the solution would probably be the same, though it does not clearly appear how, unless upon the ground

that other and competing producers would not be satisfied were their capital not earning a certain specified rate, which rate the shoe manufacturer is thereby justified in computing as within his *expenses*.

Carver's definition of profit as what is left over "after the other shares are paid," these other shares including wages of superintendence, obviously excludes profits from the case, but none the less leaves it to be asked what relation entrepreneur activity holds to costs and to value.

Accepting one formulation,—

"The amount of effort which is necessary to produce a given quantity, say a pound, of one commodity may be widely different from that which is necessary to produce the same quantity of another . . . When it requires a great deal of effort to produce an article, no one will ordinarily be tempted to make that effort unless the article has a great deal of value; . . . Speaking generally, an article must have value enough to persuade men to make whatever effort is necessary to its production, or it will not be made at all . . . That is to say, its value cannot be permanently much above or below its cost of production"

(p. 31)—we are far from any answer to our problem; the principle of value is here stated as one of pain costs to the employed producer; the doctrine is not an entrepreneur money-cost doctrine in any sense; the "efforts necessary to its production" are not employer facts. For the purposes of the problem in hand, this is an *impasse*.

But Carver has an opportunity cost doctrine which promises better:

"If there are many and excellent opportunities for the employment of one's labor and capital, and their earnings consequently large, much will be sacrificed in withdrawing them from those other possible openings, and only the surplus above this large amount can count as the earnings of the land . . . If a certain individual with a certain amount of labor and capital at his disposal can earn \$1,000 a year by working for other people . . . a piece of land upon which he with his capital could produce a total crop worth only \$1,000 would be worth nothing to him, but one upon which he could produce a crop

worth \$1,200 would be worth approximately \$200 a year" (p. 188).

Like Seager's view, this appears to conceive the displacement cost as fixed by the wage or salary opportunity; \$1.80 is therefore Carver's solution.

#### RENT AND COST.

Seager's formulation makes it entirely evident that he stands, as does also Fetter, for the inclusion of rent outlays in costs. For this purpose, at any rate, no distinction is made between land and capital. And in point of fact, tax and insurance outlays also are for Seager parts of cost; and it may fairly be assumed that Fetter would concur in this.

But, if so, the cost computation thereby extends beyond the field of productive agents, includes something more than land, labor, and capital charges, and ought logically to include any outlay business-wise incurred in the process of getting goods profitably upon the market. In such case the concept of capital should be shifted over to competitive, acquisitive, entrepreneur capital, inclusive of all value items in competitive business, as the correlative and basis of all costs incurred in the business process.

What would Flux and Carver do with the problem restated to present this rent issue clearly? Let the raw material and wage items stand as before, but with 5 cents interest on capital owned, and 5 on capital borrowed,—5 cents for lands owned and 5 more for lands rented.

Despite the fact that the concept of cost with both Flux and Carver is distinctly individual and competitive and provides, seemingly, for all elements of that selling price at which "the costs of production are worth while incurring,"—at below which the expense of production "exceeds the value of the product,"—each has committed himself to the doctrine that land and capital are so far different in nature that the rent of the one forms no part of price-determining cost, while the interest of the other does form a part; there are then for them only two possible courses open: either (1) to compute this man's cost at ten cents

lower than the price which would keep him in the business; or, (2) to abandon cost as an individual computation in competitive business.

It, may, however, be worth while to note that if cost be accepted, not as a private and competitive category, but as a collectivist concept, rent will, indeed, disappear as an item in the cost accounting; but so also will wages, interest and profits; these are distributive categories only in a society competitively organized; purely and merely as incomes to productive agents do they become costs to the entrepreneur-employer. Collectivist cost, as a basis for explaining the relative volumes of commodities, or the valuation of commodities with relation to one another, is a displacement doctrine. What a bushel of wheat costs of any given piece of land, whether marginal or supra-marginal, is, for a collectivist society, what could, with equal labor and capital, have been produced on that land. Call this alternative land-product rent or not; it remains true that the productivity differential for another commodity is a displacement cost for the given commodity.

The cost-of-production situation either as doctrine or as tendency is, then, hardly to be summarized. But it is evident that what was found true in the discussion of capital, interest, and marginal utility, is even more pronouncedly true with rent and costs. No one point of view is firmly adopted and consistently held; the discussion constantly shifts between the collectivist and the competitive point of view; the issues are not real issues. For the most part, the difficulty is not that the doctrines formulated are not true; they are true for their purposes and in their proper setting; but they are used from points of view in which they are out of place and for purposes to which they are not adapted.

H. J. DAVENPORT.

The University of Chicago.



## BOOK REVIEWS

*The Truth about the Trusts: A description and analysis of the American Trust Movement.* By John Moody. New York: The Moody publishing Co., 1904—pp. 514.

*Trusts of To-day: Facts relating to their Promotion, Financial Management and Attempts at State Control.* By Gilbert Holland Montague. New York: McClure, Phillips & Co., 1904—pp. 219.

The method proposed by Mr. Moody is altogether admirable. "In this book a serious attempt is made . . . to turn on the light and exhibit to the public view . . . the entire phenomena . . . of the trust movement. . . From first to last, facts and conditions surrounding those facts are plainly and frankly described and simple and logical deductions are made from them" (pp. xi, xii). This certainly is an ideal program, and if the author had lived up to his text, he would readily have been forgiven for his unnecessary jibes at the "labored treatises of college professors and 'experts' in political economy."

Mr. Moody thinks that the various definitions of the trust previously proposed have resulted in "adding more confusion to an already much confused subject." Definitions accepted by "experts" in political economy are entirely ignored, while those adopted by such "practical opinion" business men as James B. Dill and Chas. R. Flint are rejected on the ground that they include every successful business enterprise, and are, therefore, "absolutely without definite meaning." The author prefers Mr. Dooley's celebrated contribution "somethin' for an honest, ploddin', uncombined manufacturer to tie up to" as more expressive, if not more accurate. The definition finally adopted is that formulated by Mr. Dodd of the Standard Oil Company, viz: "The term Trust . . . embraces every act, agreement or combination of persons or capital believed to be done, made or formed with the intent, power, or tendency to monopolize business, to restrain or interfere with competitive trade, or to fix, influence or increase the prices of commodities" (p. xiii). The essence of this definition may be expressed as follows: That is a trust which is believed to be a trust. This Mr. Moody himself admits—"This (definition) embraces those enterprises which are popularly believed to have this intent, power or tendency, and not

merely those which have by demonstration been shown to be possessed of such power." This man of facts, then, who is to extricate the subject from the maze of fanciful and hypothetical statements into which it has unfortunately been plunged by other writers, begins by affirming that belief, not cold facts, is the ultimate criterion by which trusts are to be distinguished from the other forms of business enterprise. To quote: "All large businesses which possess, or are believed to possess, the foregoing characteristics are trusts, whether made up of one plant or a hundred, and whether actually possessing monopolistic features or not . . . Very small corporations, even if they possess monopolies, are not popularly called trusts." The absurdity of such a definition is of course apparent. His treatment of monopoly is equally unsatisfactory. He fails entirely to see what is essential to any adequate understanding of the subject, viz., the distinction between a differential advantage and a monopoly. He lumps these two ideas together, and calls the combination monopoly. He, therefore, concludes that "monopoly is not only the mother of trusts but of our entire modern civilization."

The central portion of the book, comprising some five hundred pages, is devoted to a detailed description of several hundred of the so-called trusts. Unfortunately this portion of the work, while full of useful information, is marred by typographical errors, statements likely to mislead the uninformed, actual misstatements of fact, and predictions as to future events which should have no place in a book consecrated and dedicated to plain statements of facts. As examples of typographical errors see page 434, line 20; page 469, line 5; and page 479, line 2. As examples of misleading statements note the following: "A feature which stands out very conspicuously is the Trust's (American Sugar Refining Co.) practical domination of the entire American market. Although supplying technically only about 53 per cent. of the consumption, yet the ramifications and influences of the combination among its ostensible rivals are so complete that its control over the situation as far as America is concerned is all inclusive." As an example of actual misstatement of fact see page 62, where it is asserted that keen competition with Spreckels, Arbuckle Bros. and Doscher continued for several years and "was not ended until the absorption of all competitors a few years later." Pages 440-442 contain a most astonishing group of errors and misleading statements that must be

read to be appreciated. For example, it is stated that the Atchison is a part of the Moore group of railways;<sup>1</sup> that the Boston and Maine is controlled by the New York, New Haven and Hartford;<sup>2</sup> that all the smaller railways are or soon will be controlled by the hypothetical railway trust;<sup>3</sup> and generally that the whole industrial and railway field is soon to be combined and controlled by a single group of financiers to be formed by a consolidation of the Morgan and Rockefeller interests.<sup>4</sup> Whether the final outcome is to be a régime of private monopoly or state socialism, Mr. Moody unfortunately fails to predict.

The book contains in convenient form a great mass of information otherwise difficult of access, and notwithstanding its error of fact and its lively fancy is likely to be of real service to the public.

Mr. Montague's work consists of an outline of the trust problem, and a review of the attempts made at State control of corporations and the so-called trusts. It is based largely upon the results of the investigation made by the industrial commission, and upon the information contained in the leading financial and industrial journals. The most valuable part of the work is that devoted to the history of anti-trust legislation and a summary of the remedies proposed by the various publicists, economists, and legislators as a corrective of the evils of the trust's régime. In his treatment of financial conditions he is less happy. He considers over-capitalization the evil of present trust organization. This he defines as the condition in which the par value of securities exceeds the market value based upon earnings. As an illustration he cites the case of the United States Steel Corporation with its original capitalization of \$1,404,000,000 and says: "The bonds have since sold at 72 and the preferred stock has fluctuated about 54; and the common stock has fallen to 10. In the opinion of the market the proper capitalization of the U. S. Steel Corporation is about \$570,880,000 and the over-capitalization is about \$833,120,000, or nearly 60 per cent. At the present time (June 10, 1905) in the judgment of the same market the Steel Corporation is worth just about an even billion dollars, and the over-capitalization by the same sign is only a little over 30 per cent. By basing his estimate of over-capitalization upon the stock market Mr. Montague naturally

<sup>1</sup>Pages 438-439.

<sup>2</sup>Chart opposite p. 432.

<sup>3</sup>Page 441.

<sup>4</sup>P. 442.

attributes one of the chief evils of trust organization to this condition. Over-capitalization is an incident, not a cause. The real evil lies deeper. It consists in a condition of business morals and law that favors and permits the sacrifice of the permanent interests of the company to a group of inside speculators, whereby property is transferred from the company to a favored clique through deceit, and, therefore without adequate compensation.

On the whole Mr. Montague's book in the clearness of its statements, in its conservative attitude toward a complex problem, and in the sanity of its conclusions compares favorably with the standard works on the same subject.

MAURICE H. ROBINSON.

The University of Illinois.

*Economic Essays.* By Charles Franklin Dunbar. Edited by O. M. W. Sprague, with an Introduction by F. W. Taussig. New York: The Macmillan Company, 1904—pp. xvii, 372.

The larger part of this volume is made up of the articles which Professor Dunbar contributed to the *Quarterly Journal of Economics*, of which he was the founder and editor until his death in 1900. The first essay was published in the *North American Review* as early as 1876, and was one of a series of articles called out by the centennial celebration of that year. Only the last part of the volume, about a hundred pages, is here printed for the first time. This lacks the finished quality of the rest of the volume, but contains important matter relating to our currency and banking history which every student of these subjects will be glad to have.

It is perhaps hardly to be expected that a book of this kind, containing little more than a reprint of articles already published, should receive much attention; but no one who looks it over with any care will fail to conclude that Professor Sprague has rendered a noteworthy service to economic science in collecting this work of Professor Dunbar into a single volume, and thus making it available for the use of economic students everywhere. No one giving attention to American financial history will ever be likely to overlook the articles on that subject, for they are now and will long remain the very highest authority in that field. But the volume contains work which has an equal claim to attention for excellence in other directions. No economic historian who attempts

to show the way economic influences have moulded American society can find a better model for the broad treatment of historical facts than the first essay in the volume; nor a better example of the minute and detailed investigation of a narrow subject than those which deal with "Some Precedents Followed by Alexander Hamilton," "Early Banking in England" and "The Bank of Venice." Not even Mill has treated the dry subject of method in economic science in a way more practically helpful to the student than is done in the essays on "Reaction in Political Economy" and "The Academic Study of Political Economy." And it may be affirmed with confidence that the whole literature of economic science does not contain so good an exposition of banking and credit currency generally as the author's little book on *The Theory and History of Banking*, supplemented by the essays on that subject in this volume. Indeed it is hardly too much to say that an hundred pages may be selected from Professor Dunbar's writings which are as well worth preservation and careful study as a similar number of pages in the works of any of the great masters of the science since Adam Smith. Certainly there is no American economist whose writings deserve a higher rank.

The amount of work actually published by the author seems small when we reflect that he devoted nearly thirty years to the study and teaching of economics. This result was probably in some measure owing to the delicate condition of his health, but far more to deliberate choice on his part: i. e., to his "complete abstention from the discussion of current questions of economics and politics" mentioned by Professor Taussig in his introduction, and to his rigid adherence to the rule of never publishing anything on a subject until he had completed a most thorough investigation of it. In view of the quality of so much of the current publication in economics, both as regards the thorough digestion of material and the form of expression, one is rather inclined to commend his example than to criticise it. After all it is quality rather than quantity which gives value to scientific work, and economists would do well to remember more often than they do at present that the great place which the *Wealth of Nations* holds in economic literature is connected with the fact that its author spent ten years writing it, and wrote little else besides during his lifetime.

There is one further quality well illustrated by several of the articles in this volume which should recommend it to our attention.



That is the way several subjects of popular interest and discussion are treated. I refer especially to the articles on the legal tenders and the reform of the national banking system. It is true that Professor Dunbar did abstain completely from all *superficial* discussion of current economic questions, and especially of anything like controversial writing upon them; but it would be a mistake to suppose that he paid little attention to the relation of his science to the actual world of business and politics. His students felt both in his writing and his lectures in the class room that his reasoning was based upon the most intimate acquaintance with actual conditions. Economic theory never became metaphysics in his hands; but he was able to apply general principles to the concrete facts of the business world in a way which the intelligent layman could understand. He evidently felt that what the trained economist should contribute to the discussion of current questions was not alone information, but reasoned information—such an explanation of facts as his deeper knowledge of general principles enabled him to give. His articles on our currency and banking system, published at the time when the country was discussing those subjects and Congress was trying to deal with them, are models of what the professional economist ought to be able to do for the guidance of the public and our legislators. It would be of immense advantage at the present time, if we could turn to such articles upon tax reform, regulation of railway rates, the commercial results of expansion, the opening of China, or the building of the Panama Canal.

G. S. C.

*The Sociological Theory of Capital*, being a complete reprint of the *New Principles of Political Economy* (1834). By John Rae, M.A., sometime Master of the Gore District Grammar School, Hamilton, Ont., and District Justice at Hana, Hawaiian Islands. Edited, with biographical sketch and notes, by Charles W. Mixer, Ph.D., Professor of Political Economy at the University of Vermont, Burlington, Vt. New York: Macmillan & Co., 1905—pp. lii, 485.

At last the promised edition of John Rae's *Political Economy* has appeared. For many years the original edition of 1834 has been scarce and obtainable only at collectors' prices. Economists and sociologists are put under lasting obligations to Professor Mixer for his painstaking work as editor. He has not been content with making a mere reprint, but has carefully scrutinized

and rearranged the original work so as to make it of distinct use for modern readers and valuable as a text-book in advanced courses. At the same time, nothing of the original work has been omitted, and the "Reader's Guide" at the end of the work enables those who care to do so to trace the original arrangement.

The history of the rediscovery of Rae is familiar to all economists who have read Professor Mixter's articles in the *Quarterly Journal of Economics*. Like many other remarkable works, its merits were not appreciated until two generations after its first appearance. In spite of the great progress of economic science which has taken place during this period, Rae still has a message to modern readers. Although the theory of value which he used has been superseded, and the germ of the principles which he laid down in the determination of the rate of interest has been made familiar to the present generation of economists by the work of Böhm-Bawerk, there still remains much in Rae's work which has not yet been covered by any other writer. In respect to the theory of interest itself, the present writer is inclined to agree with Professor Mixter in thinking that where Rae and Böhm-Bawerk differ, Rae is the more nearly right of the two. The difficulty with Böhm-Bawerk's theory lies in his use of the "technical superiority of present over future goods." Rae has a different conception of the manner in which the technique of production affects the rate of interest. He ranges all instruments in a series according to the rate of return which they make upon the original cost of production, and makes this cost of production an independent factor in the determination of the rate of interest. Although Böhm-Bawerk makes the objection to Rae's treatment, that cost of production is usually a mere anticipation of expected return, this objection does not apply to primary or labor costs, and leaves uninjured at least the essence of Rae's contention, that labor cost of production, rather than technical superiority of present goods, is the link connecting the rate of interest with actual technical conditions. It is noteworthy that Rae's position in this respect has been reinforced recently by the able work of Adolphe Landry,<sup>1</sup> which criticizes Böhm-Bawerk and takes a position similar to that of Rae, although Rae's work was unknown to the author. The present writer, in a forthcoming book on Capital, will attempt to justify, in part at least, the view of Rae and Landry.

<sup>1</sup> *L'Intérêt du Capital*. Paris (Giard & Brière). 1904.

Rae's work, though primarily a study of the accumulation of capital and the determination of interest, throws light on many other subjects. His treatment of invention, which is partly historical and partly theoretical, is more thorough-going and instructive than anything which has hitherto been written. He traces the influence of the various great inventions on the accumulation of capital, on the rate of interest, and upon the spirit of progress as well as on the nature of man generally, and shows what conditions stimulate and what retard the activity of the inventive faculty.

In the same way, Rae has given a masterly treatment of the subject of luxury, and one which should form the starting point for any future investigation in this field. He shows that the cumulative effect of the attempt on the part of individuals to vie with each other in the display of wealth is ultimately to impose a heavy burden upon all who try to keep the pace. The history of luxury among the ancients and moderns is adduced in support of these theories, and an ingenious justification of high import duties on luxuries is worked out. It is pointed out that luxury, or the gratification of vanity, requires high prices, and that when the price of jewelry, equipages, and other articles calculated to display the opulence of their owner, falls, these articles become too "common" to serve their purpose as marks of distinction, and are thrown aside for some other vagary of fashion. He points out that the cheap wines of France were spurned by the upper classes in France, but were highly prized by the upper classes in England, because, having beer taxed in crossing the Channel, they become rarities. A tax of this sort, he argues, is not a burden upon the ostentatious rich who purchase the wines, but on the contrary serves their very purpose by making the commodity exclusive, while at the same time it yields a revenue to the government.

Among other virtues of Rae's remarkable book should be mentioned the Appendix on the proper method in economic science. Had his remarks on this subject received the currency they deserve, the needless controversy on methodology which has been waged so long between the historical and theoretical schools of economists might have been avoided. Rae maintains, and gives good reason for his belief, that Adam Smith's method was not truly inductive and scientific, but only pseudo-scientific. Whatever justice there may be in his strictures upon Smith and others, there can be no

question that Rae's own work is thoroughly inductive and scientific, and that he had a lively conception of the scientific spirit and of its application to social problems. It may be said that he in a manner anticipated the conception of social science which has been made familiar to the present generation by Herbert Spencer, and it was Rae's purpose, had he possessed the time and opportunity, to write what he called a "natural history" of man; in other words, what would now go under the name of anthropology and sociology. The work now under review would have served as an introduction to this larger work.

Rae's efforts in this as in other directions, however, were for his own generation largely wasted. A few of the keener intellects appreciated its importance and his ability. Of him John Stuart Mill wrote to an American friend: "It must be of great value to your country to have such a man as Dr. Rae settled among you." But the great body of economists were at that time too much committed to the classical economy, which to them possessed finality, and were not to be roused from their "dogmatic slumbers" by an obscure provincial schoolmaster like Rae. Had the conditions been different, Rae to-day might have ranked in the history of economic science as the peer of Adam Smith or John Stuart Mill. Unfortunately, both for him and for the progress of economic science, he did not succeed in taking at the flood that tide in the affairs of man that leads on to fortune. It remains to be seen to what extent, now that Professor Mixter has made the work once more available to all readers, Rae's work may be raised to the position to which its intrinsic merits entitle it. L. F.

*America, Asia and the Pacific, with Special Reference to the Russo-Japanese War and Its Results.* By Wolf Von Schierbrand, Ph.D. New York: Henry Holt and Company, 1904—pp. viii, 334.

The fundamental ideas of this volume may be expressed in the following propositions: (1) The Pacific ocean during the twentieth century is to become the scene of the greatest development of commerce that has ever taken place in the world; (2) this commercial development is to give rise to a fierce international struggle among the great commercial nations, England, Germany, United States, Russia, and Japan, of which the present war in the East is but the first manifestation; (3) in this struggle the United States occupies the most advantageous position, and is destined

to be the supreme factor in the future development of the Pacific. In expounding and proving these propositions the author takes up several subjects of very great importance and interest to the people of this country at the present time, together with a large number which are of lesser importance and of more remote interest. Among the former are the opening of the Panama Canal and its probable commercial effects, our commercial relations with South America and the prospect of our finding there a field for commercial expansion, the awakening of China, the chance of its copying Japan in economic development, and the effect which this would have upon the leading commercial nations, especially the United States; while among the latter are such subjects as "Some little known facts about Russia," "The new Japan," the diplomatic struggle for the "open-door policy" in China, the future of the Dutch East Indies, and many more.

This is certainly an attractive list of subjects, and one concerning which the public feels the need of much information, not simply facts about trade development and railroad, mining, and other industrial enterprises in the various countries, but still more than this, a well reasoned explanation of facts which shall enable an average intelligent citizen to judge of the wisdom of the various policies which our government is pursuing, regarding affairs in the Pacific, such as the building of the Panama Canal, the increase of our naval expenditure, our treatment of the Chinese, and our policy in the Philippines. The author of this volume has, however, entirely failed to justify the interest and expectation which his table of contents is calculated to arouse. He has brought together a great many useful facts on a great many interesting subjects, and this feature of the book gives it a certain limited value, which would have been considerably increased had he given the sources of his information also; but when he comes to the far more important task of interpreting these facts and discussing the various questions involved, little or nothing of value is said and not infrequently the statements border on the absurd. In the mind of the author the principal factor in determining trade between two countries appears to be the nearness and accessibility of their ports to each other. Thus, in explaining our lack of trade with South America as well as the influences which are to build it up in the future, we are told that "the greatest of our present disadvantages is a geographical one, South America lying far to the East, so that



its whole eastern coast, and even its western, are nearer to European nations than to us. We have seen that this disadvantage at least, the decisive one in close competition between well-equipped nations, will disappear forever with the completion of the Panama Canal." This is a fair example of the kind of reasoning that is used to show that "the canal will . . . create a vast amount of commerce."

We should hardly expect the author of this to shed much light upon the difficult subject of China's economic development and its effect upon the great commercial nations. There is hardly any subject of current interest which so much needs careful treatment at the hands of a trained economist as this one. It is assumed by almost every writer on the subject that a development of China similar to that which has taken place in Japan will confer a great economic benefit upon the leading commercial nations by increasing their trade with China. But what is the nature of this benefit and how far is it a reality? It has been the common practice thus far to apply the old mercantile fallacy of estimating the value of international trade from the amount of the exports. China is supposed to be of value to us because of what we can *sell* her. Moreover, in judging of the volume of trade which is likely to arise between China and other nations, almost exclusive attention is given to what the Chinese may want to buy, and hardly any at all to the things they can give in return. It seems to be quite forgotten that international trade is an exchange of commodities. Obviously the public needs a good deal of instruction on this subject of a strictly economic nature before it is likely to have very sound ideas either as to the amount of trade likely to develop between China and other countries, or as to the value of that trade to us. How far such instruction may be derived from this volume may be inferred from the following extract: "The new necessity of finding additional markets, pointed out in a preceding chapter, together with the prospect of doors more or less closed against us in Continental Europe, or of being hampered by a high tariff, lays strong emphasis on the value of China's open door and the desirability of keeping it open."

G. S. C.

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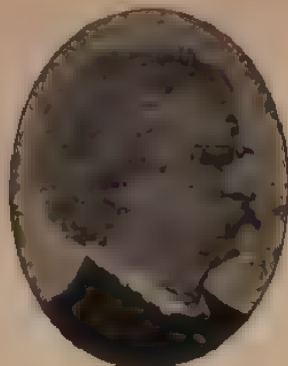
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COMMENT.

*The American Sociological Society; The New Swiss National Bank.*

SOCIOLOGISTS, who have persisted in the traditions of the founders of the science, have cause for deep satisfaction in the fact that there is now an American Sociological Society; and even greater reasons for self-congratulation over the character impressed upon the new association by its constitution and the discussions attendant upon the adoption of the latter's provisions. The very divergences of American sociologists have witnessed to the need of closer personal relationship and organization. But a still more evident desideratum has been the delimitation of the science from a number of subsidiary or accessory subjects to whose vogue it has largely sacrificed its own identity. Thus a differentiation was implied in the constitution of the society, and made explicit through several telling speeches, between the scientific attitude in study and that which looks for the results of research to take immediate effect in remedial activities. A rather more austere and academic standpoint was thus taken, without, however, the slightest intention of repelling practical workers, who are interested in the more impersonal bearing of their efforts and experience upon the general science of society.

What the Sociological Society proposes to do is thus not in conflict with, but correctly differentiated from what is commonly called Practical Sociology. Natural demarcation in other directions is probably more obvious. American anthropo-

logical societies treat prevailingly of archæological and ethnological subjects, and folklore; and other allied associations deal with philology, statistics, and the like. And, although some historians with small reason identify sociology with the "philosophy of history," there is here in practice little danger of an encroachment upon, or an overlapping of fields. Hitherto sociologists have been able to meet each other only as semi-interested adherents of older associations. There was no place where papers upon, say, fetichism, or totemism, or the contact of races, could be read and discussed. Each of the elder associations had its full program, covering a properly defined and in general carefully circumscribed field. In brief, a need was felt for an organization specifically diverse from those in existence, and subsidiary to them in no classificatory or other sense; and this kind of an organization has been founded.

As for the congestion of programs, that is an inevitable and inconsiderable consideration. The essence of association meetings is rather the spirit of the occasion than the letter of the reports and other contributions. They afford an opportunity for men of common interests to know each other, and to keep in perspective the development or transformation of a common purpose. This is what the sociologists have attempted to gain. Of course the future of such an organization is inevitably bound up with that of the science for which it stands—and with the consistent character of that stand as well. It is in such more general considerations that the *raison d'être* of the Sociological Society will be, or will fail to be, found. The only genuine justification possible is one which may attend its personal demonstration of its own viability and usefulness.

The passage of a law providing for the creation of a Swiss national bank is a significant fact in the history of finance. This act, which is dated October 6, 1905, is the culmination of an agitation which has been going on ever since the middle of the nineteenth century. The extreme independence of the cantons with regard to laws and institutions, no less than their differences in language, nationality, and religion, had left the entire control of banking to the cantons. These had created a number

of local banks, some of them simply chartered by the cantons, others actually managed by them, to which the right of note issue was confined. An attempt was made in 1874 to introduce federal control, but the law was rejected in 1876 by a referendum vote. It required an amendment to the constitution, adopted in 1891, to establish the principle of central supervision of note issue which has come to be considered almost axiomatic in modern states. The new Article 39, which was then incorporated in the fundamental law, provided that the right to issue bank notes and all other credit money belonged to the federation, which might exercise its monopoly either through a state bank or through a bank chartered by the state. Even this article could not go into effect without the passage of a specific law, and the contest between the partisans of different plans was so active, that it was not until the death of the leaders of the two parties, Mr. Cramer-Frey, who died in 1900, and Mr. Hauser, who died in 1902, that a compromise became possible, which was realized in the law passed last fall.

Under this law, of which a full account is given in an article by Mr. Speiser in the *Revue Economique Internationale*, a national bank is created with a capital of fifty millions of francs, which is to be allotted as follows: two-fifths of the total amount are reserved for the cantons or the cantonal banks; one-fifth is reserved for the banks which have hitherto enjoyed the right of note issue, the right to subscribe being proportional to their outstanding circulation, December 31, 1904; the remaining two-fifths as well as the unused portions of the other quotas are open to the public, subject, however, to the provision that only Swiss citizens or corporations domiciled in Switzerland may become stockholders. One-half only of the capital is to be called in for the present. The relations of the bank with the public will be maintained by means of branches.

This bank is to enjoy the monopoly of note issue, in return for which it is to make an annual payment to indemnify the cantons for their loss of the right. The apportionment of this indemnity among the several cantons is based partly upon the note issue, partly upon the population of each canton. The notes are secured partly by metal, partly by short-term bills, but the



metallic reserve must be at least 40 per cent. of the total issue. The general direction is confided to a committee of three, each one of whom has charge of a particular department, one presiding over discount and transfers, another over control, while a third superintends the issue of bank notes. Somewhat curiously the two former have their headquarters at Zurich, the principal commercial center of Switzerland, while the latter has his headquarters in Bern, the federal capital. Switzerland is a country whose perpendicular distances are more magnificent than its horizontal distances, and it is thought that the railroad journey from Bern to Zurich is so short that the three directors will have no difficulty in getting together at least once a week. This arrangement is, of course, a compromise such as the rival claims of cities and cantons often necessitate in a country whose traditions and forms of government are highly decentralized. Though some of the stock is to be held by the cantons, the federation itself is apparently not a stockholder. But whatever profits may remain after setting aside 10 per cent. for a reserve fund, 4 per cent. for dividends, and a sufficient sum to indemnify the cantons for their loss of the right of note issue, is divided between the federation and the cantons, the former taking one-third, the latter two-thirds.

The creation of this new bank is significant in many ways. It is significant in that it shows a tendency towards the centralization of the control of banking operations, even in a country whose traditions are quite opposed to such a system. It is significant in the provisions for an elastic note issue, there being absolutely no limit upon the volume of bank notes, provided the metallic reserve equals 40 per cent. of the total. It is also significant in that Switzerland has established neither a state bank nor a private bank in the strict sense of the words, but that the bank represents "private capital placed under the dependence of the state."

## POSTAL RATES AND LITERATURE.

ON June 23, 1874, there was approved an act of Congress establishing a *pound* rate of postage on mail matter of the second class, the newspapers and periodicals of the country. This rate was three cents a pound for magazines and two cents for newspapers. A few years later, this rate was lowered to two cents for each, and still later, on March 3, 1885, becoming operative on July 1, 1885, the rate was reduced to only *one cent* per pound.

Certain external or physical characteristics were to distinguish this material, as that it must be regularly issued, at stated intervals, at least as frequently as four times each year, that it must consist entirely of printed paper sheets, not substantially bound, that these must be consecutively numbered and dated, and issued from a known office of publication. Also, as the rate of carriage was practically a gift of the transportation and distribution charges, or at least of the larger part thereof, and had the distinct purpose in view to assist certain educational media in keeping the public mind informed as to what was being done and thought in the world, certain other considerations, ideal not physical in nature, were established, such as that the publication must be devoted "to literature, the sciences, arts, or some special industry, or be published for disseminating information of a public nature." Provisos were added that publications "designed primarily for advertising purposes, or for free circulation, or for circulation at nominal rates" were not to be allowed the benefit of this highly favorable tariff.

The looseness in the wording of the law, and the temptations presented by the rates, furnished an almost irresistible tendency to give to matter, purely advertising in its nature, the garb of the legitimate agents of popular enlightenment. So though a still further clause required that a publication must have a "*legitimate list of subscribers*," showing thus not only a public object but also a real public approval and genuine public demand, yet the inducements for evasion of the intent of the

law have been too strong to be successfully combated, and little by little limitations have been relaxed, and each mistake made has become the precedent for many others. Many periodicals, too, have gained entrance to the mails and subsequently changed character.

In fact, in various ways indicated and in others not enumerated, often ingenious in character, thousands of publications are today swelling the volume of the second-class mail that not only are not within the spirit of the law, but which violate its letter as well, and which cannot by any practical means of an administrative nature be excluded from the mails. And yet, very determined efforts have been made by one post-master-general after another for a series of years, and much good work has been done in rooting out certain minor abuses, but the main evil remains and cannot be materially abated by vigor of administration, and while reform is most urgently needed it can only come through legislative aid.

But assuming that many are ignorant of the situation, let me state some of the facts connected herewith.

With the legal enactment referred to at the beginning of this paper, a literary Niagara was formed and began the work of cutting its gorge through whose ever-widening and deepening channel literally whole lakefuls of printed matter have passed outward to the sea of oblivion.

Evolutionary processes operate slowly where nature is the workman, but man proceeds far more swiftly to the accomplishment of his ends. The stream which connects Lakes Erie and Ontario has been occupied at its still unfinished task for many thousand years, while the postal rate enacted by the law referred to above has, within the memory of most readers of this article, so increased the production of transient literature that the total annual output of 40,000,000 pounds of such matter in 1875 has become 663,000,000 pounds for the year ending June 30, 1905.

Benjamin Franklin stood high among men in many ways. The sound business judgment which he applied to the handling of the postal service of the colonies and the equal wisdom which he later displayed as the head of the Post Office Depart-

ment after we became a nation, were not least among his just claims to eminence. His birth was only two hundred years ago, on January 17, 1706.

What changes since then! What changes, even, since his death in 1790—less than a century and a quarter ago! At that time there were in the entire country but seventy-five post-offices. Now there are almost as many thousands, and the expenditures of \$32,000 for that year have grown to \$167,399,000 reported for the past fiscal year.

While these figures are typical in many ways of our national growth, and while they reflect the material advancement of our people, there are for the thinking observer other conclusions to be drawn beside inferences which furnish material for an Independence Day oration, such as the above.

Along with evidence of prosperity something else may be seen by the discerning eye, and he who either runs not with the crowd or who reasons while he runs may find food for profitable thought and incentive to some earnest endeavor in the following pages.

The Report of the Post Office Department for 1902 contains information shown in the table printed below, giving an analysis for that year of the statistics of revenue and weight of the postal matter by classifications, and as it is the latest report to show such analysis it will be necessary to use its figures and then to supplement the deductions by some further statements.

In other words, first-class mail, the business and social communications of the country, which furnished less than fourteen per cent. of the tonnage, paid almost four-fifths of the revenue, and was probably nine-tenths profit; while second-class matter, though it supplied over two-thirds of the tonnage, furnished a revenue of less than four per cent. of the total amount raised, and was hence accountable for a deficit of large amount.

The cost of the service thus rendered to the publishers of transient literature is estimated by experts at about seven cents per pound for all charges, including receiving, transportation, changes of route and delivery handling, and the reason alike for the insufficiency of revenue and the enormously rapid growth

referred to before is therefore to be found in this rate of one cent a pound or twenty dollars per ton. Hence this rate amounts to a practical subsidy of perhaps one hundred dollars per ton or even more to the producers of this one class of merchandise, and it should be borne in mind that this bonus is operative upon the pages carrying advertisements as well as upon literary material found within the covers of periodical literature mailed under the law.

As to the trend since 1902. By 1904 the total weight of

MAIL MATTER—WEIGHT AND REVENUE BY CLASSES, FOR FISCAL YEAR ENDING JUNE 30, 1902.

Classification.	Weight in pounds.	Per cent. of total weight.	Revenue.	Per cent. of Revenue.	Per cent. of Revenue.
First class..	101,103,928	13 56/100	\$90,950,751.72		77 91/100
Second class at pound rate and free .....	488,246,903	*65 47/100	4,451,523.59		
Second class mailed with stamps affixed .....	2,716,530	0 37/100	279,258.25		
†Third class, fourth class, foreign, transient, etc. ....	153,675,511	20 60/100	20,957,110.44		17 96/100
Total.....	745,742,872	100	116,728,644.00		100
			Total \$4,820,781.84	3 89/100	4 13/100
				24/100	

\* Second class was 68 61/100 % of total weight of all revenue-producing matter.

† Third class (circulars, books, etc.) was 3 96/100 % of weight; paid 3 98/100 % of revenue.

Fourth class (merchandise) was 12 41/100 % of weight; paid 11 75/100 % of revenue.

the mail had increased from the 745,000,000 pounds of 1902 to 912,000,000, and second-class in the same time had increased from 490,000,000 to 610,000,000 pounds.

In other words, for that year second-class supplied over two-thirds of the total and over seventy per cent. of revenue-producing mail, while the revenue thence arising was \$5,697,198, this out of a total expense account of \$152,362,000—again less than four per cent. of the expenses. For 1905 the increase has been to 663,000,000 pounds, producing a revenue of \$6,186,000, which is still less than four per cent. of the total expense



for the year, that aggregating, as previously stated, the enormous sum of \$167,399,000.

When this pound-rate-of-postage law upon periodical literature was enacted, the proportion which such matter bore to the entire mail was not much more than fifty per cent. It was, as stated before, approximately 40,000,000 pounds in amount. As it has increased in amount by more than 160,000,000 pounds in the last three years, it is at least a fair inference that we have not seen the end of the growth—the tail of the camel is not yet within the tent. Still bearing in mind the motto that the Persian monarch had engraved on the seal of his ring, "Even this shall pass away," I think it is safe to assure my fellow businessmen of the United States that a great burden, borne mainly by them in the past and to be borne mainly by them in the future, until this rate is materially advanced, will at no very distant date be diminished. The reasons for this belief I shall try to set forth later in this paper.

But first I call attention to another printing-trades industry that has waned while periodical publishing has waxed. Twenty-five years ago there were, it is estimated, three thousand live booksellers in this country, carrying good stocks of books representative of the various classes of literature, history, light science, biography, travel, poetry, fiction, and belles-lettres generally. Today there are estimated to be only one thousand of the same class, and they are steadily withdrawing from business, though in the meantime the population of the country has increased by fifty per cent. and the general average of wealth has markedly increased also, so that by good rights the three thousand should have become six to seven, in place of dropping to one thousand. If it be true, as has been repeatedly asserted, that a good representative book store, well stocked and intelligently managed, performs an educational work for any community only less important than that done by its schools, colleges, and libraries, then this condition of affairs merits serious attention.

On the other hand, twenty-five years ago the entire sales of all the monthly magazines published in the country were probably less rather than more than 10,000,000 copies in the

aggregate per annum, while today there are single magazines having a larger sale than that, and probably more than 500,000,000 of them in all are sold per annum.

The extra *hundreds* of millions of magazines sold per annum mean fewer books disposed of to the extent doubtless of several *tens* of millions, and the disappearance of the bookseller is thus accounted for.

Let us compare the statistics of the publishing of books and periodicals in this country with those of other lands where the latter are not so favored.

In 1902, it is estimated that Germany issued 27,000 different books and pamphlets and had only about 8,000 periodicals. The British Empire, including India and Australia, published about 16,000 books and pamphlets and 6,000 periodicals. France published 12,000 books and pamphlets and 6,600 periodicals. The United States published about 8,000 books and pamphlets with over 50,000 periodicals, and this refers to the *number* of different publications issued. Were the comparison made upon the aggregate number of copies disseminated, the discrepancy would be far more startling, since the enormous circulations of truly hothouse growth possessed by our journals of monthly issuance have no match in other countries.

Germany is the home of scholarship. Almost every man, woman, and child in the empire is able to read. Germany published in that year 354 books to the million inhabitants; France, 344, and there are similar though diminishing figures for Great Britain, Holland, Belgium, Switzerland, Austria, Italy, Sweden, Norway. Even Russia published 85 books per million inhabitants, while the United States published but 81, and it is left for us to seek poor, benighted Spain to find the only one of the civilized countries of the globe that prints fewer books per million inhabitants than do we. She publishes 66, while we issue 81 to the million. Germany, you will notice, beats us more than four to one, and Japan, I may say, some three to one.

And by the way, the remark has been confidently attributed to a prominent officer of the Spanish-American War, who, like myself, was a graduate of the Military Academy at West Point,

that the only military mistake the United States did not make in that conflict was in the selection of her antagonist.

And who is beating us in the warfare of business? Who is surpassing us in competition for the markets of the world today? The cultured, bookish German. Numberless newspaper, magazine, and book articles show the presence of the German salesman at every turn. He is in South America, he is in Australia, in Samoa, in India, in South Africa, in Alaska; he is all over this country, at the summit of the Rocky Mountains, throughout the south, and in every seaport town. He is copying every machine we invent, and he is studying all our business methods. Needless to say he is not spending his time reading vapid articles in low-priced periodicals—articles of only ephemeral importance, if any—and neglecting nobler literature of permanent value.

On the other hand, while we publish so few books, it is estimated that, owing to the preponderance of our issue of transient literature, sixty-five per cent. of all the periodicals on the globe are published in the English language, and the United States probably issues nineteen-twentieths of these or over sixty per cent. of all.

And the growth has been over 50,000,000 pounds per year for each of the last three years. To put the same idea in a different form, beside the enormous growth of old publications, it is shown by the official statistics of the Post Office Department that an average of more than ten *new* periodicals a day have been started in this country, each and every day, Sundays and holidays included, for the last ten years. The entire British periodical publication list numbers only some 4,900, and we have had over 40,000 *new* ones make successful application for admission to the mails within the period just named; and half as many more endeavored to qualify, but were not successful in complying with the requirements imposed, lax though they of necessity were.

Is it strange that the increase of magazines of merely nominal price has attained such proportions at the expense of the taste for good reading? That it has, is indicated by this quotation from the *Publishers' Weekly* of January 30, 1904:

"The great decrease in all the more serious departments of literature, as well as in some of the lighter ones, is a curious and unexplainable condition of our book production. Scientific and philosophical writings are as conspicuous through their absence as are the simply amusing books."

The reading of the ten or twenty-minute magazine article seems to be about the limit of the intellectual activity of the men, women, and children of average education in our entire land.

The extent of the participation of the Government in carrying on these purely private business enterprises is not generally realized, but a quotation from the report of Postmaster-General Charles Emory Smith, dated November 25, 1901, for the fiscal year ending June 30, 1901, will serve to enlighten us.

"The statement will probably be surprising that in the case of hundreds of such publications, wherever the publisher spends \$1,000 in his venture the Government spends not less than \$2,000 in carrying on that publisher's business. Astonishing as is this statement, it is easily made plain. As already indicated, the kind of publication in question involves *very little* of the cost of the *legitimate newspaper or periodical*. It has no news service. Its editorial staff consists of a single hand for scissors and paste pot. The composition and presswork, reduced to a single copy or pound, are infinitesimal. The only material expense is the cost of white paper, which runs about *two cents a pound*. That is the publisher's side of the account.

"The Government's side comprises two items. The first is transportation. The *entire* circulation of *these* papers is through the mails, and the Government pays for carrying them not less than five cents a pound, on which it gets back one cent. The second item is handling. It has already been shown that this cost is at least two cents a pound. It results then that for every three cents the publisher pays toward the cost of the business the Government pays six cents. In other words, the Government is the senior partner on the debit side of the business. It furnishes the larger part of the capital, and while it pays about three-fourths of the expenses, all of the receipts go to the private partner.

"Under this stimulus of Government partnership the volume of second-class matter has grown to immense proportions."

One such publisher placed in the mails for November, 1905, over one hundred and sixty tons of his journal, which is sold at one cent per copy, or ten cents for a year's subscription. Between one and a half and two million copies of this monthly are mailed at each issue, and as of some issues it takes eight to weigh a single pound, and as he makes to his advertisers the boastful claim that there is not a single township within the United States where he has not a subscriber, but little reflection is needed to see the great loss to which the Government is subjected in handling his output alone.

An examination of a copy of this periodical shows that for a single issue about sixty thousand dollars' worth of advertising is borne on its pages. The report that it costs him eleven cents to secure each yearly subscriber, a cent more than the price of a subscription, indicates that the nearly free carriage by the Government of his product is all-important in securing this advertising patronage upon which he lives.

As to its literary matter—the less said, the better. This publication, like countless others, is directly contravening the statutes against "circulation at a nominal price," but there is no practical remedy, for should the Department officials do with him as was done with one group of periodicals, namely, bar them from the mails as issued "primarily for advertising purposes," the noxious precedents that have been so numerous established would enable him to take his case into court and to require reinstatement, unless a very large proportion of the entire periodical issues of the country, good and bad alike, were to be simultaneously barred.

The group referred to above, all published by the way by one firm, sends annually nearly 5,000,000 pounds through the mails at a net loss to the Government of close to a third of a million dollars. Instances like the above can be multiplied without end.

And the legitimate newspapers and higher class magazines have an interest as immediate and vital as that of the Government and the people in correcting these abuses. For each dollar that they save in their expense account due to this shame-



ful misuse of public funds for private ends, they are now losing from ten to fifty dollars in their advertising accounts owing to the vast sums, aggregating tens of millions of dollars per year, spent for this purpose by the great advertising interests of the land in buying space in the pages of these *weeds of literature*.

Postmaster-general after postmaster-general in annual reports has trenchantly called attention to the abuses existing. The unanimous cry is that "the most urgent need of the postal service is the rectification of the enormous wrongs which have grown up in the perversion and the abuse of the privilege accorded by law to second-class matter."

It would seem beyond belief that these flagrant abuses, which have become so menacing, should go on uninterruptedly. Their palpable obstruction of all advance in line with public welfare must arouse a storm of opposition when it is once generally understood. They contaminate a great business by their unscrupulous bending to their own selfish ends of a law meant for the general good. Not only is wrong done to all the business interests of the country, but an injustice is also wrought to the law-abiding periodical publishers by the perversion of advertising patronage that is rendered possible in such large proportions through the presence in the field of such unbusiness-like competition.

The powers for general good of one of the great administrative departments of the Government are inconceivably hampered in every direction, and a deficit which should not exist at all, not only exists but is increasing at a threatening pace, as the following figures will show:

For 1902 the deficit was under .....	\$ 3,000,000.00
" 1903 " " " about .....	4,500,000.00
" 1904 " " " over .....	8,500,000.00
" 1905 " " " over .....	14,500,000.00

The United States is, moreover, the only one of the great nations of the world which does not derive a revenue from its postal service. A compilation by the International Postal Bureau shows in 1903 the following surpluses in other countries:—

In The United Kingdom .....	surplus	\$22,581,000.00
Russia .....	"	15,054,000.00
Germany .....	"	14,668,000.00
France .....	"	14,489,000.00
Spain .....	"	3,088,000.00
Hungary .....	"	2,895,000.00
Belgium .....	"	2,509,000.00
Japan .....	"	2,316,000.00
Netherlands .....	"	965,000.00
Italy .....	"	272,000.00

The Argentine Republic showed a deficit of less than a million dollars; Mexico, a deficit of less than a quarter of a million.

In this country, it is true, the postal service is doing a work of the highest economic value for the country as a whole for all classes in all its sections, and it should not therefore be administered with the idea in mind of making it produce as large a net income as possible; but that is a reason, all the stronger, for seeing that the large profits of one of its departments, to which all contribute, shall not be dissipated in another department for the benefit of a very small class, and in fact wastefully dissipated, too, for the benefit of a part only of that class. I say advisedly a fraction only of that class, as I thoroughly believe that all the periodicals of a superior grade are handicapped rather than aided by the workings of the law. Increase in circulation is not evident, or is less evident, in publications like the *Century Magazine*, *Harper's Monthly*, *North American Review*, *The Atlantic*, *Popular Science*, *The Nation*, etc., than in the monthly issues of a distinctly inferior grade such as the *Woman's Magazine* and countless other issues of a comparable sort. And it is also believed and generally understood that the advertising receipts of some of these periodicals of higher price and greater educational value are smaller today than they were when the law was enacted.

And now how do the rates for carriage of this class of mail matter in other countries compare with those in our own?

In Germany, periodicals pay the same postage as other printed matter, the rate being five cents upon a single pound of periodicals, books, or other matter; somewhat higher rates are

paid for fractions, and for two pounds the rate is seven-and-one-half cents.

In England, the rate is fourpence (eight cents) per pound for books, periodicals, pamphlets, etc., alike.

And by the way, those who seem so anxious that we should establish a cheap parcels-post service in this country in emulation of that existing in Germany and Great Britain, seem to belong mostly to this class of periodical publishers, and they have never yet been known to advocate the idea that we should follow the Germans in fixing our rates for carrying periodical literature.

And while we are upon this question of the parcels-post, a subject which is being much agitated at present, let me digress for just a moment.

A parcels-post or express service operated in Germany and Great Britain, where the DENSITY of population is great and the average haul short, is an entirely different proposition, it seems to me, from the same service in a sparsely settled country like the United States. The density of population of Great Britain for example is five hundred to the square mile; of Germany, nearly as much, and of Belgium, considerably more. The density of population in the United States is less than twenty-five to the square mile. But were such a system inaugurated in this country, its principal operation would not be in thickly settled Rhode Island nor in the neighborhood of the great cities, New York, Philadelphia, Boston, Baltimore, etc., and the average distance parcels were carried would be long, as the principal work would be done among the rural population of States east of the Mississippi River or, where it would be still more expensive, over the prairies and scattered ranches and mining hamlets of the Far West. It might be possible to take five hundred parcels from some central point over a short haul of fifty to two hundred miles and make deliveries thereof within one square mile of territory, and perform the service for a moderate fee. But it is quite another proposition to take the five hundred separate parcels from, say, New York City, carry them to Wyoming, where the density of population is but one to the square mile, and make deliveries of these parcels, one in each of some five hundred distinct square

miles of territory. The loss to the government from that kind of work would be sure to be of mammoth proportions, provided the tariff for the service were made low. I consider it within the bounds of possibility that, if such a parcels-post service as is contemplated by some enthusiasts were to be put in operation and once become generally operative, the losses arising therefrom might rise to \$150,000,000 per annum.

Upon careful consideration, it would seem evident that, first, the enactment of the law diverted the patronage of the reading public from books to the higher-priced and more respectable magazines, those so priced that the sale of the periodical at its published rate would be a possibility were its advertising omitted or small in amount; that next, the twenty-five-cent issues cut the ground from under the feet of these older and higher-priced ones; that then rapidly appeared the fifteen and next the ten-cent periodicals, furnishing at this reduced rate an article so expensive to make that only the great volume of advertising rendered the price possible, and that now the five-cent and the one-cent issues are with no less rapidity in their turn displacing the latter. Truly, we may remind ourselves of Jonathan Swift's old doggerel—

"So, naturalists observe, a flea  
Has smaller fleas that on him prey;  
And these have smaller still to bite 'em;  
And so proceed *ad infinitum*."

And what is to be the end of it all? This law cost the country perhaps less than a million dollars the first year; but so rapid has been the growth, that one hundred millions is not a wild estimate for the deficit caused thereby during the first ten years of its existence from 1886 to 1896; nor is two hundred and fifty millions of deficit an exaggerated sum to lay at its door for the second period of ten years, the ten just ending; and as to the future, the day is plainly in sight when the second-class will furnish eighty-five per cent. of the total weight of the mail and be accountable for an annual loss of from forty to sixty millions of dollars.

The steady growth of rural free delivery is most desirable for the whole body politic no less than for the farming class,

though it entails a substantial loss of revenue at least temporarily.

The highly advisable consolidation of third and fourth classes into one class with a reduction of rate to not over eight cents a pound is needed both from motives of administrative simplicity and as a measure of substantial justice, and would probably be immediately self-supporting, thus turning their present operating deficit of small amount over to the profit side of the ledger.

The much needed reduction of the first-class rate to one-half the present charge, giving one-cent letter postage, which would even then show a handsome profit, and could not fail to stimulate enormously the amount of such business, would be a great relief to all business interests, as there are tens of thousands of business concerns small and large that would appreciate the resultant savings of hundreds and thousands of dollars in their postage expense.

All of these measures are, in fact, highly advisable, but the many tens of millions of dollars of annual profit accruing upon first-class matter are dissipated in the carriage of the great volume of second-class mail at the present inadequate rate. Not only are the vast sums thus secured consumed, but we must face our net deficit and provide for its rapid growth.

Various estimates have been laboriously and carefully made to determine what is the comparative cost of the work imposed upon the Government by the first and second-class matter respectively. One thousand business letters, as they run, are estimated to weigh twelve pounds, and at two cents each, pay twenty dollars of revenue as a minimum. But the publisher who puts twelve pounds of magazines into the mail pays thereon only twelve cents instead of twenty dollars of postage. Now while it is admitted that the second-class can be handled at somewhat less per pound than other classes, it is equally evident that but a fraction of this difference exists in cost of handling.

Many postmasters and railway clerks and carriers throughout various sections of the country who were called upon for estimates in this connection have made replies furnishing information which has been carefully tabulated. The result



goes to show that the consensus of opinion of those in the best position to know, is that at least thirty-five per cent. of all transportation expenses should rightly be borne by matter of the second class, and that of all other expenses, from twenty-five per cent. to forty per cent. should be laid at its door. It is therefore conservative to say that not less than twenty-five per cent. of the grand total of the expense account of the Department is incurred either directly or indirectly on account of second-class matter. As the total expense for the year ending June 30, 1905, was over \$167,000,000, of which twenty-five per cent. is approximately \$42,000,000, and as the revenue produced by second-class for the same period was only \$6,186,647.54, a deficit of \$36,000,000 is the least amount for which it is responsible for the past year. Should a less conservative, but doubtless far more accurate, basis of figuring be adopted, this sum might readily aggregate over fifty millions of dollars for the single fiscal year ending June 30, 1905.

And who is being benefited by this state of affairs? The argument originally adduced in favor of the present low rate was that it would furnish cheap reading matter to the masses and to the rural population. What has it given them? A recent issue of a very prominent monthly of highest respectability contained 127 pages of literature, 180 of advertising; of another, 160 pages of literature, 218 of advertising; of another, 113 pages of literature, 218 of advertising; of another, 108 pages of literature, 229 of advertising. And if this is the story, as it is, about some of our *literary* issues, how is it with the so-called "trade journals"? One of these in a recent issue contained 82 pages of reading matter which should surely not be classed as literature, and 234 of advertising. Yet another, 79 pages of *reading matter with 248 pages of advertising!!*—over three hundred per cent. more advertising than reading.

It seems scarcely to be doubted that quite one-half of all matter of the second class hauled by the Government during the twelve months constituting the past fiscal year was advertising matter pure and simple. Suppose the manufacturers of steel rails in my home city of Cleveland were to be given a

bonus by the Government of one hundred dollars per ton for all the tens of thousands of tons of rails they could run through their rolls, it is idle to ask whether they would long remain inactive. But the statistics show no less surely that the gentlemen who are running cheap print paper through the cylinders of their fast power presses have not been so very slow to find the profit in the transaction, as the leaps and bounds representing the growth of circulations plainly indicate. And if, as is claimed by many of the publishers of cheap periodicals, the advertising is the most interesting part of the issue to their subscribers, what a commentary upon the reading material. But even if that be so, and if it be for a moment regarded as advisable to haul advertising at a loss, why not haul everybody's advertising at the same price? Why this class legislation? It is scarcely just to charge one thousand times as high a rate for the postage upon printed advertising sent as circulars, as is done when it forms a part of a periodical. But just that does happen, as we shall shortly see.

The postal authorities rightly rule that a periodical advertising one house only cannot be admitted to the mails as second-class matter, but are not many even of the literary journals practically *house* organs to a large extent? The *Market Place* says that a recent issue of the staid *Atlantic Monthly* contained 83 pages of advertising of which  $45\frac{1}{4}$  pages directly advertised the publications of Messrs. Houghton, Mifflin & Co., its publishers;  $11\frac{1}{4}$  pages more were exchange advertising, and  $25\frac{1}{2}$  pages, or less than one-third, might be paid advertising. The *Philistine* with 32 pages of reading matter had 16 pages advertising the goods of Mr. Elbert Hubbard.

A magazine in which to advertise his own publications and by the aid of which to exchange advertising with other publishers, thus gaining the benefit of a very wide circulation at entirely nominal expense, is quite naturally a part of the equipment of large publishing enterprises. The distribution of their advertising at the one-cent-per-pound rate is thus secured, and to show how very great a handicap others not so favored are under, the following analysis of this interesting situation will suffice.

Suppose "A" to be the publisher of an important cyclopedia, book of travels, or anything else, and that he also publishes a popular ten-cent magazine with a circulation of four hundred thousand copies each month. He can set up a one-page advertisement of his book, print it in the advertising section of his magazine, and as the paper used there has an average weight of about five hundred leaves (equal to one thousand pages) to the pound, the presence of this advertisement of the cyclopedia or other work adds one-thousandth of a pound to the weight. Hence to insert this page advertisement costs him for postage exactly one cent extra per thousand copies, or the sum of four dollars extra for postage on the entire four hundred thousand copies forming his circulation. Suppose, on the other hand, he does not have this handy tool of publicity at his command. We may imagine that he sets up the same advertisement in exactly the same shape, prints it perhaps from the selfsame electrotpe plates, even prints it upon the same paper, and it is quite conceivable to suppose that he sends it as a circular through the same mail to the same list of addresses. What will then be his postage? If not sealed, a one-cent stamp upon each copy of his circular. This will amount to the tidy sum of \$4,000, instead of \$4.00, for the postage required upon this single advertising effort. Larkin's soaps are advertised in many ways, among others by an issue each month of four hundred thousand copies of the *Larkin Idea*. These rightly enter the mail as third-class matter, not as second, and thus pay the costs of distribution, namely, eight cents per pound for their carriage. But there are many private businesses, not all publishing ventures either, that issue periodicals which are simply skillfully disguised *house* organs. One such is run to advertise the very excellent collars and cuffs made by a widely known and enterprising firm that has no objection to letting the brunt of this part of its advertising expense be borne by a benevolent government; but another firm in my home city of Cleveland of the very highest standing in the world, in its especial line, which is the manufacture of paints, does not find so much benevolence in the administration of the law: hence

the circular advertising of their paints costs several tens of thousands of dollars per annum.

And the ceaselessly increasing products of the presses that print the monthlies of mammoth circulation, those issues that so nobly, though with some iteration, harp upon the graft of our plutocrats, our patent medicine manufacturers, our frenzied financiers, our trusts dealing in food products, our fraudulent insurance officials, is it possible that all their diatribes, worthy though they be, are never to be directed against themselves?

Let us hope that some of these public-spirited citizens who are so patriotically intent upon ridding a much-suffering land of all its various forms of organized rapacity, may be led to see a great light in connection with the *one industry* of the country that is by law freed from subjection to those forces of nature to which producers and distributors of all other articles are keenly alive.

But should they be dull of vision, then let us hope that we may expect the greatly needed aid of the newspaper publishers. We may then realize anew the truth of the remark of our great philosopher Ralph Waldo Emerson, who, in his essay on "Compensation," has told us that "though no checks to a new evil appear, the checks exist and will appear." In this case the wasteful over-production of watery literature that is pouring literally whole lakefuls of printed trash into the sea of oblivion will be our safeguard. For it is an undoubted fact, fast becoming notorious, that that advertising, which is as the breath of life to all these low-priced periodicals of monthly issuance, is not only robbing the daily papers of some considerable part of their rightful revenue, but is also beginning to fail in producing results for the advertising patrons.

CHARLES WILLIAM BURROWS.

Cleveland.

## THE MUNICIPAL GAS WORKS OF BERLIN.

**A**MONG its many claims to civic precedence, Berlin has the distinction of owning and operating the largest municipal gas plant in the world. The magnitude of this business would in itself justify a more or less extended notice, but there are other features of the enterprise that enhance its interest. Dating back to 1847, the gas works of the German capital have experienced every vicissitude of economic chance and technical development. They have uniformly secured very creditable results. Last, but by no means least significant, they have always had to reckon, for many years in a sharply competitive way, with the concurrent operation of the original private gas company.

The first period in the city's gas history covers the years 1825 to 1847. Prior to the earlier of these dates, English experimenters and engineers had succeeded in placing the gas industry on a practical basis, and, backed by English capital, they became its pioneers on the continent. On April 21, 1825, a contract was entered into between the Imperial Continental Gas Association on the one side and the Prussian Royal Ministry of the Interior and Police acting for Berlin on the other, whereby the former was given an exclusive right to supply gas for public lighting and private use within the *Ringmauer* of the city for a period of twenty-one years beginning January 1, 1826. The Imperial Continental Gas Association, which afterwards came to control plants in sixteen or more of the larger cities of Europe, was composed of English capitalists, and the works which it erected in Berlin are commonly spoken of to this day as those of the English Company. One feature of the above transaction deserving special mention is the fact that the officials of the city government had nothing to do with it. The extent to which royal authorities were then vested with the functions properly belonging to local self-government, and since conferred upon it in Prussia, thus receives a very striking illustration.



The new lighting facilities provided by the English Company were hailed with as much delight and admiration at their installation as the electric incandescents and arcs in our own time. It was soon discovered, however, that the price charged was too high to permit any extensive use of gas except for street lighting and in shops, while the poor quality of the product gave rise to many complaints. Also the English Company manifested a disinclination to extend its pipes into the less developed and hence less profitable parts of the city. As early as 1836 public discontent had increased to such an extent that the city officials took up the subject with the gas company. They found, however, that the terms of the original contract were so loosely drawn that they could demand nothing legally, and as the company stood stiffly on its royal privileges, the negotiations proved fruitless. In 1842, therefore, the administrative council (*Magistrat*) in agreement with the representative council (*Stadtverordnetenversammlung*) resolved to oppose a renewal or prolongation of the private company's franchise, and to undertake municipal ownership and management upon its expiration. This project promptly received the sanction of the king with the express reservation of such legal rights as the Imperial Continental Gas Association should retain after January 1, 1847.

On that date the city was ready to supply gas both for public lighting and private use. The plans for its works were drawn by Rudolph Sigismund Blochmann, who, as the designer of the Dresden plant in 1828, was the first German engineer to meet English competition successfully on the continent.<sup>1</sup> It was understood in advance of the completion of the municipal works that the old company would continue its business of supplying private consumers in virtue of a very broad and unguarded clause in the contract of 1825 which permitted it "the use of its property and to continue to supply gas to those persons who may wish it,"<sup>2</sup> even after the original period of

<sup>1</sup>Cf. *Schillings Journal f. Gasbeleuchtung*, 36 Jahrgang (1893), p. 423, for an interesting account of the earlier development of an independent German gas industry.

<sup>2</sup>*Bericht über die Gemeinde-Verwaltung d. Stadt Berlin in d. Jahren 1861 bis 1876, Zweites Heft*, p. 104.

twenty-one years had expired. As this term approached its limit the English Company hurriedly ran pipes through many streets it had hitherto neglected. The city government fought these belated extensions in the courts, which finally decided that the private company had no legal right to lay pipes in streets which it had not occupied on January 1, 1847; further, that it had no right to duplicate pipes in streets occupied on that date, but that it could whenever it pleased substitute larger mains for smaller ones in the streets it then legally occupied. This decision drew fixed limits about the territory of the English Company, but left it free to continue perpetually its competition with the municipal works for private consumers in the most profitable central streets of Berlin. It will readily be perceived that this judicial settlement put the Imperial Continental Gas Association in no weak position either legally or economically. With one exception the geographical limits within which it could sell gas have remained unchanged since 1847. Prevented under the above mentioned judicial decisions from making further extensions in the city, the English Company turned to the suburbs and succeeded in securing a franchise to lay pipes and supply gas both for public and private lighting in Schöneberg. When Schöneberg was incorporated with Berlin in 1861, the courts held the metropolis to the recognition of the rights thus acquired by the private company. The lesson was not lost upon the managers of the municipal plant, who took care thereafter not to be forestalled in this manner.<sup>1</sup>

Much as the city officials have been inclined to grumble over it, there can be no doubt that private competition has exerted

<sup>1</sup>Contracts were made with the suburbs Pankow (1890), Reinickendorf (1893), Treptow and Boxhagen-Rummelsburg (1895), whereby these places secured gas from the municipal works practically at the same rate as Berliners themselves. According to the *Statistisches Jahrbuch d. Stadt Berlin* for 1903, Stralau and Plötzensee are also furnished gas from the municipal works, the total suburban consumption in that fiscal year being 158,709 thousand cubic feet, or about 2½% of the total amount of gas supplied by the city works for private consumption. The business thus secured is perhaps not very profitable, but by this policy the city gains exclusive control of these territories as far as gas supply is concerned, thereby preventing the English Company from entering them and putting obstacles in the way of the creation of a "Greater Berlin."

a most beneficial influence upon the development of the gas business in Berlin. Although limited by agreements at a later date, it was sharp enough in the beginning to threaten the municipal plant with complete failure. During the negotiations which preceded the city's determination to manufacture its own gas, the English Company could not be brought to consent to a reduction of the price from  $3\frac{1}{3}$  thalers (\$2.38) per 1,000 cubic feet to 3 or even  $3\frac{1}{6}$  thalers (\$2.14-\$2.26), except upon condition that these lower rates should not go into effect until a considerable increase in the use of gas by private consumers had taken place. If the private company had been willing to fix the price at  $2\frac{5}{6}$  thalers (\$2.02), and to make other minor concessions, it might have had an extension of its exclusive franchise for thirty years, which would probably have put the whole future of the gas industry of the city in its hands. Before the city had completed its plant, however, the Imperial Continental Gas Association voluntarily reduced the price of gas to  $1\frac{2}{3}$  thalers (\$1.19) per 1,000 cubic feet,—that is, literally cut it in half. This lower price was made conditional upon consumers obligating themselves to take the private company's gas for fourteen years. Of course the city was forced to meet this reduction, and the immediate result of municipalization was, therefore, that the citizens of Berlin were enabled to purchase their gas at a lower rate than then prevailed in any city on the continent, not excepting even Belgian cities located in the immediate neighborhood of large coal mines.

Since 1847 there have been two main periods in the gas history of Berlin. During the first of these, which lasted until 1881, more or less open competition with the English Company prevailed. In the second period, from 1881 to the present time, a series of agreements between the city works and the private company put an end to unrestricted competition between them, while both were also obliged to meet the competition caused by the development of the electric light.

Reference has already been made to the decisive measures taken by the English Company when brought face to face with the prospect of municipal enterprise. At the same time that it reduced its price and extended its pipe lines, it also improved

the quality of its product. For a few years after the city began to supply gas, this competition of the private company proved so severe that all hope of making the municipal plant a paying venture seemed out of the question, and, indeed, would have remained so, had not the possibilities of the gas business been vastly greater than any one then imagined them to be. It is extremely difficult to speak accurately of the earlier financial results of the municipal plant, as no deduction for depreciation was made during the first seven and a half years of operation. Even with this factor left out of account, however, a net loss, after operating expenses, interest, and sinking fund charges were paid, of 30,397 thalers (\$21,703.45) had to be met by the city as a result of the first two and a half years of operation.<sup>1</sup> In 1850-1851 a small net profit of 228 thalers (\$162.79) was made, which increased to 80,619 thalers (\$57,561.97) in 1854-1855. Beginning with the year 1855-1856 depreciation was accounted for, at first in the crude form of a lump sum deduction,<sup>2</sup> but after 1861-1862 carefully calculated on percentual bases varying according to the character of the different parts of the property. From 1861-1862 on, therefore, the financial results of the Berlin gas works can be stated as accurately as those of a carefully managed private corporation. The net profits of that year above operating expenses, depreciation, interest and sinking fund charges were 275,964 thalers (\$196,768.30). Five years later they had passed the million mark point (\$238,000.00).

Figures are not ascertainable to show the results obtained by the private company during this period, but undoubtedly its production increased largely as a consequence of the lower gas prices. In 1860 the city made a further reduction of price from

<sup>1</sup> From official figures reprinted in *Schillings Journal f. Gasbeleuchtung u. verwandte Beleuchtungsarten*, 7. Jahrgang (1864), p. 387. Other figures quoted in following paragraphs down to the year 1860-1861 are from the same source. The statement of results for the two and a half year period mentioned above (January 1847 to July 1850) was made necessary by the change, in 1849, of the end of the fiscal year from December 31st to June 30th.

<sup>2</sup> At first 50,000 thalers (\$35,700.00) annually, increased in 1860-1861 to 100,000 thalers (\$71,400.00). On the percentual basis first used a year later the depreciation was figured at 99,410 thalers (\$70,978.75).

1 $\frac{2}{3}$  to 1 $\frac{1}{2}$  thalers per 1,000 cubic feet (\$1.19 to \$1.07), which was met by the English Company. The latter also kept up the practice, introduced at the beginning of its competition with the city works, of allowing a rebate of 5% for prompt payment. This proved a great attraction to consumers of large quantities, of whom there were, of course, a great many in its centrally located territory. It was also charged by the municipal gas works officials that the private company made offers of special price reductions and other advantages to induce consumers to take its product and discontinue the use of city gas. However this may be, it soon developed that the increased demand for lighting at the lower rates would provide ample business for both plants. As late as 1860, however, gas was very little used in private dwellings in Berlin, the principal private customers of both plants being merchants, restaurant keepers, and the like. With far lower prices the per capita consumption of Berlin in 1864 was little more than half that of Paris or London. The *Hausfrauen* of the German capital proved themselves very conservative and very economical, although it was noted that once induced to try gas they seldom gave it up. After the price was lowered in 1860, private consumption rapidly increased, and as gas came more and more into household use, the rate of increase was rapidly accelerated. This development is the more remarkable, because at the same time petroleum from America first began to be imported in large quantities and sold at much lower prices than the illuminating oils formerly in use in Germany. Column four in the following table shows by years the number of private jets supplied by the city works from 1849-1850 to 1880-1881, and thus, in the absence of figures showing the volume of gas privately consumed, affords a fairly accurate index of the increase in private consumption.

Looking at the total gas production of the city works, (column 8 in the above table), it will be observed that it doubled in the eight years between 1849-1850 and 1857-1858, and quadrupled in the fourteen years from 1849-1850 to 1863-1864. The doubt as to the financial success of the enterprise which had prevailed during the first few years of city ownership



and management was dissipated by this rapid development, but in its place arose a grave question as to the future policy of the works. By 1865 it had become apparent that the gas business

STATISTICS OF THE BERLIN MUNICIPAL GAS WORKS, 1849-1881.

Year.	Population.	Percentage in-crease of pop-ulation	Number of pri-vate gas jets.	Percentage in-crease of pri-vate gas jets.	Number of pub-lic gas jets.	Percentage in-crease of public gas jets.	Total gas production (cu. ft.).	Percentage in-crease, total gas production.
1849-50	416,030	....	13,592	....	3,214	....	172,342,000	....
1850-51	422,180	14.8	15,723	15.6	3,352	4.2	161,370,000	-5.2
1851-52	423,060	0.2	19,236	22.3	3,525	5.1	163,733,842	1.4
1852-53	423,520	0.1	23,308	21.1	3,544	0.5	189,277,780	15.6
1853-54	427,470	0.9	29,673	27.6	3,655	3.1	214,966,751	13.0
1854-55	431,820	1.0	34,233	15.3	3,705	1.1	242,312,350	12.7
1855-56	438,140	1.4	51,473	50.3	3,703	-0.05	280,927,500	15.9
1856-57	445,830	1.7	59,533	15.6	3,779	2.0	326,018,300	16.0
1857-58	454,110	1.8	69,118	16.1	3,814	0.9	362,897,500	11.3
1858-59	466,700	2.7	86,437	25.0	3,888	1.9	416,682,800	14.8
1859-60	484,100	3.7	94,453	9.2	3,988	2.5	432,010,000	3.6
1860-61	538,050	11.1	103,768	9.8	4,251	6.6	491,392,700	13.7
1861-62	557,380	3.6	120,391	16.0	4,720	11.1	524,893,800	6.9
1862-63	581,980	4.4	139,295	15.7	5,028	6.5	596,539,000	13.7
1863-64	614,450	5.6	165,764	19.0	5,844	16.2	693,117,100	16.3
1864-65	645,100	5.0	189,584	14.4	6,671	14.2	809,142,000	16.7
1865-66	661,700	2.6	220,331	16.2	7,092	6.3	901,136,900	11.4
1866-67	684,420	3.4	240,001	8.9	7,434	4.8	976,213,000	8.3
1867-68	715,860	4.6	258,303	8.0	7,729	4.0	1,063,566,000	9.9
1868-69	745,520	4.1	277,833	7.6	7,891	2.1	1,130,909,100	6.3
1869-70	768,380	3.1	298,265	7.4	7,899	0.1	1,200,198,500	6.1
1870-71	799,450	4.0	320,300	7.4	7,976	1.0	1,258,952,200	4.9
1871-72	844,440	5.6	349,850	6.1	8,123	1.8	1,418,661,400	12.7
1872-73	882,460	4.5	377,931	11.2	8,589	5.7	1,622,448,700	14.3
1873-74	916,690	3.9	437,950	15.9	9,020	5.0	1,825,987,000	12.8
1874-75	948,500	3.5	495,531	13.1	9,717	7.7	1,972,977,300	8.9
1875-76	979,860	3.3	555,304	12.1	10,511	8.2	2,065,483,300	4.7
1876-77	1,010,946	3.2	605,505	9.0	11,159	6.1	2,097,347,900	1.5
1877-78*	.....	.....	644,742	6.5	11,479	2.9	1,840,031,400	1.4
1878-79	1,043,260	.....	614,133	-4.7	11,717	2.1	2,159,444,600	
1879-80	1,080,478	3.6	623,374	1.5	11,991	2.3	2,183,272,600	1.1
1880-81	1,114,973	3.2	629,675	1.0	12,479	4.1	2,238,462,600	2.5
1881-82	1,148,188	3.0	641,075	1.8	12,936	3.7	2,329,411,700	4.0

\* Change of fiscal year, formerly July 1st to June 30th, beginning 1877-78 from April 1st to March 31st.

was still in its infancy. With the increase in the city's population and further price reductions as cost of production decreased, the municipality must look forward to the building of a number of new plants, which, however profitable they might be, would nevertheless require initial investments of capital so large that

serious thought as to the future of the city's credit must needs be taken before they were decided upon. In other words the careful city fathers of Berlin were beginning to be alarmed at the growth and prosperity of their undertaking. One of them<sup>1</sup> was even moved by the situation to quote Goethe's words:

*"Die ich rief, die Geister,  
Werd' ich jetzt nicht los."*

Two other factors complicated the problem. First, the city had to expect in the near future large expenditures necessary to take over and improve its water works and to place its sewage disposal system on an entirely new basis. Second, it had to decide what attitude should be taken toward the net earnings of the gas works, assuming that it should decide to invest large sums for new plants and extensions.

The latter point requires a somewhat detailed explanation. When municipal gas was first determined upon by the Berlin city government it was estimated that 1,500,000 thalers (\$1,071,000.00) would be sufficient for the purpose of building the works, as indeed it proved to be. Once in operation it was hoped that they would pay operating expenses, and the interest and sinking fund charges of  $4\frac{1}{2}$  and 1 per cent. respectively. The net profits beyond this were destined exclusively to cover depreciation and the cost of extensions as they became necessary. If, as consumption increased, the profits should more than suffice for these purposes, the price of gas was to be reduced. To put it in another way, the city's original intention was to produce and sell gas as nearly as possible at cost, and not to make the business a source of profit to the general municipal treasury.

A careful official review of the situation at the end of the year 1862-1863 shows that this plan had been consistently and successfully carried out. Gas prices had been reduced, as has already been stated, and that to an extent far greater than any one could have foreseen in the beginning. All the items of expense above mentioned had been taken care of, and new plants and extensions had been added increasing the cost of the

<sup>1</sup>Herr v. Unruh, *Entstehung und bisherige Resultate der städtischen Gaswerke*, *Schilling's Journal f. Gasbeleuchtung*, 7. Jahrgang (1864), p. 375.

plant to 3,504,030 thalers (\$2,501,887.42), all out of the proceeds of the business. Deducting 564,897 thalers (\$403,336.46) for depreciation, the inventoried value of the works was placed at 2,939,133 thalers (\$2,098,540.96) on July 1, 1863. Since the works were built the original loan had been reduced by the sinking fund from 1,500,000 to 1,280,214 thalers (\$1,071,000.00 to \$914,072.80). If the works had been sold in 1863 for no more than the very moderate figure given above, namely 2,939,133 thalers (\$2,098,540.96), the whole gas debt could have been paid, and the city would have realized clear 1,658,919 thalers (\$1,184,468.16) profit. As a matter of fact 3,500,000 thalers were offered for the works about this time, and experts believed the city could have obtained 4,000,000 thalers for them, which would have represented profits of from twenty-two to twenty-seven hundred thousand thalers respectively. Whatever the exact figure would have been, the profits from a sale would have represented in a lump sum what the city had gained by guaranteeing 1,500,000 thalers worth of bonds sixteen years before, and for managing the gas property and turning all the annual net earnings into it in the interval.

From a private business point of view this would certainly have seemed satisfactory enough. So rapidly was the gas business developing, however, that it was manifestly impossible to continue such a showing for the future. To provide new plants and extensions sufficient to meet the increased demand for cheaper gas, the city found that it must either prepare to make loans very much larger than the annual net profits would amount to, or else retire in part or altogether from the field. Various suggestions were considered in this connection. To sell out entirely was felt to be too unpopular, no matter how large a profit might be obtained by so doing. It was the general opinion that a private company buying the works and operating them as a monopoly would desire to charge more for its gas, or at least would make reductions of price more slowly than the city works. Only with difficulty could it be compelled to extend its pipes or to light the streets so well, especially in the less developed sections of the city. Moreover, the memory of the days when the English Company controlled the field was still

fresh in the minds of the citizens. A more moderate plan was that the municipality should allow private companies to establish themselves in various sharply defined districts of the city, said companies to be obligated by franchise conditions to sell gas as cheaply and of as good quality as the city works. This plan also would entail great difficulties, increasing probably with the number and size of the companies to be supervised. Finally the city might retain control of the field and stave off the necessity of making new loans by increasing the price of gas to the minimum figures charged in other large European cities. Such an increase of the rates would, it was thought, so diminish the rate of increase of consumption as to reduce the cost of necessary extensions and new plants by two-thirds.

In 1868 the difficulty was solved by the determination to go ahead boldly with municipal enterprise. The city was to continue to supply gas to all who demanded it, lowering the price, as occasion warranted, and increasing the number of its plants, as the demand made necessary. Funds to maintain this policy were to be secured by bonds guaranteed by the city, interest to be paid out of the earnings of the gas works, which were also to provide a sinking fund for their retirement. At the same time it was determined to cover the net earnings of the gas works above operating expenses, interest, sinking fund, and depreciation charges into the city treasury. Since 1868, therefore, the gas industry has in a measure been looked upon as a source of profit to the municipality. At first sight the policy inaugurated in that year may seem to be nothing more than a change in bookkeeping devices, since even before 1868 the gas works were the property of the city, and this property was enhanced in value by employing upon it the net profits obtained from its management. Moreover, the gas works management looked upon the net profits which they thus employed as a capital advance from the city, and paid interest upon it to the general municipal treasury at the rate of 5 per cent. The difference between the old and new plans, however, consists in two points of considerable importance. First, the city decided, beginning in 1868, to take the profits in the form of cash down rather than in property plus a regular rate of interest upon it;

second, to provide for extensions and new construction by loans. Great were the fears that this was unsound finance and would lead either to too rapid reductions of price or to senseless extravagance in the expenditure of the profits of the works. No doubt the hard tax necessities following the war years 1866-1867 had something to do with the municipality's decision to enjoy gas profits immediately. On the other hand, the fears of extravagance are seen to have been hardly justified, when one reviews the careful management of the city's finance during the following period, critical as it was for the city's growth and modernization in many ways. The gas debt did increase in proportion to the total value of the property after 1868, since it was no longer reduced by the full amount of the net profits but only by a regular sinking fund appropriation. However, the sinking fund rate was increased from 1 to 2 per cent. on debts contracted after 1868, so that the difference is not so great as might otherwise have been expected. The new policy of borrowing when necessity demanded it provided adequately and promptly for the future development of the gas business, while at the same time the importance which the net profits in cash came to assume in the municipal budget made the city sufficiently cautious about too rapid or radical reductions in price. Many attacks have been made upon the city government with that end in view; indeed this has been one of the greatest difficulties the municipal gas enterprise has had to face, yet the difficulty existed before 1868 as well as after.

During the latter part of the period 1848-1881, the use of gas for lighting in private houses became common, and some use of it for cooking and heating began to be made. The total production which, as has been noted, quadrupled between 1849-1850 and 1863-1864, doubled again between 1863-1864 and 1871-1872. From 1871-1872 to the end of the period it increased 63.4 per cent., the total production for 1881-1882 being 2,329,412 thousand cubic feet. During the business disturbances caused by the Austrian and Franco-Prussian wars, and afterwards during the severe industrial depression following the crisis of 1875, the rate of increase of production was cut down materially, although never wiped out entirely.



Growth was particularly rapid after 1870-1871 through the years of excessive business activity which in Germany followed the war and preceded the crisis of 1875. No part of the increased demand was due to a reduction in price, the only changes in this particular being the abolition of the old special rates conditioned upon consumption during a period of years, and the translation of the price of  $1\frac{1}{2}$  thalers per 1,000 cubic feet to 16 pfennige per cubic meter.

New plants were constructed and old ones enlarged whenever increasing demand made necessary. To provide funds for these purposes two loans were voted, one of 6,000,000 marks in 1869, and the other of 15,000,000 marks in 1875,<sup>1</sup> the interest on both being fixed at  $4\frac{1}{2}$  per cent. with a sinking fund charge of 2 per cent. compounded annually, also to be met out of the profits of the works. At the end of the fiscal year 1880-1881, the inventoried value of the whole city plant was placed at 41,001,593 marks. Deducting from this the debt of 16,277,195 marks, the value of the city's gas property above all incumbrances was placed at 24,724,398 marks. In 1867-1868, at the end of the period during which the net profits of the gas works were turned into the property, the corresponding figures were: inventoried value, 18,002,311 marks, debt, 5,673,861 marks; value of city's gas property above all incumbrances, 12,328,450 marks. The value of the city's clear holdings in the gas works had doubled in the interim, but the proportion of the debt to the total value had increased from 31.5 in 1867-1868 to 39.7 per cent. in 1880-1881. Considering the tremendous demands made upon the gas works between these years, the general situation at the end of the period must be considered most satisfactory.

Reference has been made to the change of policy in 1868 whereby the net profits of the gas business were to be turned over to the municipal treasury for the general purposes of the city. By net profits in this connection are to be understood what remained of the total income of each year after the deduc-

<sup>1</sup> These loans were drawn upon gradually as occasion warranted. Of the second, voted in 1875, 6,400,000 marks remained at the disposition of the gas works at the end of the fiscal year 1881.

tion of operating expenses, depreciation, interest and sinking fund charges,—that is, the word has the same significance as in the case of a carefully managed private corporation. The following table shows what the city received in this way for each year from 1868-1869 to 1881-1882.

Year.	Amount of Net Profits.	Year.	Amount of Net Profits.
1868-1869	863,235 marks.	1875-1876	1,778,766 marks.
1869-1870	1,511,283 "	1876-1877	2,651,658 "
1870-1871	1,604,271 "	1877-1878 <sup>1</sup>	2,254,852 "
1871-1872	1,672,670 "	1878-1879	2,631,014 "
1872-1873	1,907,969 "	1879-1880	3,333,332 "
1873-1874	1,041,645 "	1880-1881	3,923,910 "
1874-1875	2,382,573 "	1881-1882	3,086,302 "

These figures do not include an annual interest payment of 465,450 marks, being 5 per cent. on 9,309,000 marks, the sum total of the net profits of the gas works prior to 1868, which instead of being turned over directly to the city was invested in the works. (See p. 370.) This amount of nearly half a million marks annually was paid into the city treasury, and, like the profits stated in the above table, was available for the general purposes of the city. Particularly striking in the figures showing net profits are the sharp variations from year to year, as e. g., the rapid declines for 1873-1874, 1875-1876, and the rapid recoveries immediately afterwards. These were due, of course, to the various conjunctures affecting the gas business, and must be borne in mind in connection with the numerous proposals for reductions in the price of gas that will be discussed later. The history of the enterprise after 1881 will be told in the next number of this review.

ROBERT C. BROOKS.

Swarthmore College

<sup>1</sup> Owing to change of fiscal year (see p. 367), July 1, 1877, to March 31, 1878. For preceding years the dates are July 1st to June 31st; for later years, April 1st to March 31st.

## PORTUGUESE COLONIZATION IN BRAZIL.

THE exploits of the Portuguese in India, because of their connection with the "golden East," and their semi-religious character, have drawn the attention of the world, not only in earlier centuries but in a later age as well. The imagination of their contemporaries was captivated by phenomenal successes in the realization of aims that existed or came to exist in the minds of all. The Portuguese had, to all appearance, successfully consummated the connection long striven for between the trade-areas of East and West, and were in consequence the envied holders of exclusive commercial advantages. That the worth of this monopoly was consistently overestimated but added to the power and reputation of its possessors. And, in subsequent time, the romantic tale of Portuguese achievements, bereft by distance of any unpleasant or sordid aspects, has exercised a peculiar fascination upon recounters and their audiences. The "wealth of Ormus and of Ind" is familiar to those whose interests lie far from markets and colonies. And yet, when the tale of the exploits in India is done, we have the really enduring contributions of the Portuguese to the history of colonization still to consider.

Vasco da Gama, relying upon the accumulations of nautical experience made by the captains who had preceded him, and profiting by his own special knowledge, provided Cabral, who commanded the next Indian fleet, with sailing directions which, to catch the southeast trades, carried him far toward the west.<sup>1</sup> In the pursuance of this course, or in fortuitous deviation from it, Cabral made the coast of South America. He thus discovered (April, 1501) what proved to be the new world, on the count of Portugal, some nine years after the voyage of Columbus; and the occurrence was thought important enough to warrant the

<sup>1</sup> Varnhagen, I, 17 ff.; cf. Rio-Branco, 105; Martins, *Hist. de Port.*, I, 217-218. For a brief description of the voyage of Yañez Pinzon, see Bourne, *Spain in America*, 69.

return of one ship to convey the news to Portugal. Cabral was unable, of course, to estimate the magnitude of the new acquisition. He conceived it to be another of the Antilles islands, and named it *Ilha da Vera Cruz*. This was subsequently modified to *Terra de Santa Cruz*, and finally changed, upon the discovery of a dyewood similar to the valued brazil-wood of the East, to *Brasil*.<sup>1</sup>

The only appeal which Brazil could make to Portugal was on the score of profits from the forests, and even of these but little is heard. It is characteristic of the age and its aims that the Portuguese repeatedly tried to get around or through Brazil toward the west, and thus it was presently discovered that the supposed island was part of a very large land-mass. For many years, however, Brazilian harbors were little better than substitutes, along a more satisfactory route, for the declining African stations. Preoccupation with the riches of India anticipated any vital interest in a rough and virgin land. The government sent out colonists, but at first rather with a view toward its own relief than toward Brazil's betterment, for the exiles were mostly convicts and women of ill repute. Little more was done during the first decades of the sixteenth century than to establish small settlements or factories on the best harbors. According to Varnhagen, the earliest real colony was at São Vicente (near São Paulo). But it was already the intention of the government that the fleet which should hold and defend the Brazilian coast should be supported out of local resources. The money which Portugal could spare for such objects had been swept into the current that set toward India.<sup>2</sup>

However, as time went on, the original nuclei of population received additions from the voluntary immigration of a much better quality of colonists. These were represented in large part by Jews, who had fled from Portugal to escape the Inquisition,

<sup>1</sup> It is perhaps significant of the relative predominance in Portuguese minds of the commercial over the religious aspects of their new possession that in this christening the "gainful wood" (*lenho lucrativo*) thus supplanted the "sacred wood." Varnhagen, I, 24; cf. 17-24; Watson, I, 91; Zimmermann, I, 117-118.

<sup>2</sup> Varnhagen, I, 30; 43; 53; Stephens, 220 ff.; 347.

and who proposed to make their homes in Brazil.<sup>1</sup> This growth of population and the increasing interest of the French in South America gradually attracted the attention of the Portuguese to their lightly esteemed dependency. The necessities of development and defense were met, in the absence of impossibility of a display of individual initiative, by the adoption (1532) of a semi-feudal system of proprietary grants or fiefs. The proprietors (*donatarios*) were lords who should defend the country and settle it on their own counts, thus releasing government resources for the India enterprises. In pursuance of this expedient the whole dependency, back theoretically to the Demarcation meridian, was divided by lines running parallel to the equator into fifteen sections, forming twelve hereditary captaincies of from 600 to 12,000 square leagues.<sup>2</sup> These were distributed to favored persons, and so differed in size with the favor shown. The powers of the *donatarios* were, roughly speaking, somewhat more than vice-regal. The home government exercised over them a sort of protectorate with limited control, in return for the payment of a few taxes and the right of instatement at every change of possession. The *donatario* could issue land-grants, found cities, name officials and judges, and exercise other similar powers. The colonists were assured only of protection of property, freedom of trade with the Indians, and non-extradition on account of former crimes. Catholics of all nations were allowed to settle, but non-Portuguese were discouraged from trade by various restrictions.<sup>3</sup>

The history of the captaincies is for the most part a dull chronicle of life on a small scale. Few of them actually prospered. The *donatarios* were eager, of course, to get people to come with capital and take up land; but their efforts met, on the whole,

<sup>1</sup> Zimmermann, I, 119. Leroy-Beaulieu (I, 51-52) assigns great importance to this element in the population. Stephens (227 ff.) says that Brazilian colonization was essentially popular, not royally or otherwise artificially initiated.

<sup>2</sup> A map of these *doações* or *capitanias* is given by Varnhagen, I, opp. p. 88; a list with dates, in Martins, O Brazil, etc., 10.

<sup>3</sup> The details of the system are to be found in Varnhagen, I, 60-63; 72 ff.; Watson, 155 ff.; Zimmermann, I, 119 ff. The idea was earlier utilized in the Azores and Madeira Islands, (Martins, O Brazil, etc., 3 ff.) and later in Mozambique (*prazos da coroa*), Corvo, II, 119-121; 243.



with little success. The scattered and backward native population<sup>1</sup> offered but few inducements to traders. No one believed that Brazil had any value. Two ships a year conveyed from Portugal the aforesaid men and women of questionable character,<sup>2</sup> and brought back wood, parrots and other curious products. The scanty European population, exhibiting scarcely any of those qualities of energy and self-sufficiency which we have come to associate with the term "settler," took to the ways of the natives in its attempt to conform to an environment which it could not control. Native products were raised, and native arts and crafts were imitated. Fusion of races began early, and several varieties of half-breed came soon to be distinguished. On the part of the government no effort was directed toward exploration. The interior was unvisited and unknown. The whole colony was systematically neglected. Portuguese indifference under the proprietary system "recognized the independence of Brazil before colonizing it."<sup>3</sup>

A great deal of this adversity was directly chargeable to the régime of the donatarios, and when, toward the middle of the sixteenth century, Brazil had come to be regarded as of some importance to Portugal, the fact was immediately recognized. The original division had been made on too sweeping a scale and with little or no discrimination, the grants were too large, and no reservation of land for future assignment had been made. The massing of smaller holdings about the ports would have concentrated population and encouraged industry, whereas the system adopted had effected the exact reverse. The donatarios, also, had been given too much authority. It was impossible for the supreme power from across the Atlantic to control the virtually separate governments of the captaincies. The lives and property of the colonists were at the mercy of the several lords, and the many complaints made to the King witness for the fact that some, at least, of the captains did not fail to take advantage of the situation. Even where they were

<sup>1</sup> See Martins, *O Brazil*, etc., 133 ff.

<sup>2</sup> Of these the donatario of Pernambuco wrote to the king (1546): "These people are worse than the plague, therefore I beg you, for God's sake, to spare me this poison in the future." Quoted in Zimmermann, I, 124.

<sup>3</sup> Varnhagen, I, 74; cf. 98; 170-172.

honest, the donatarios were generally pitiful failures. Those in northern Brazil had almost all come to grief by 1550, and misunderstandings with the natives and miniature wars of all kinds constituted the order, or rather disorder, of the day. In view of all this the King was led in 1549 to revoke the powers of the captains while leaving them their grants, and to appoint over them a governor-general, who should regulate abuses and correct and unify ill-considered and divergent policies. The seat of government was fixed at Bahia.<sup>1</sup>

This move led, of course, to the breakup of the captaincies, although the latter would inevitably have passed away with the growth of population. The system was, like that of the chartered company, simply a governmental makeshift. The donatarios displayed the semblance of administration and defense, until the state had satisfied itself that it was worth while to take over the burden. This persuasion was reached when the India dream had begun to betray its illusive nature, and when Brazil had commenced to attract the attention of European rivals.<sup>2</sup> "Little by little the kings of Portugal recovered all these fiefs through inheritance, purchase or otherwise. The last captaincies still existing under feudal régime were bought back by the crown in the eighteenth century in the time of D. José I and Pombal.<sup>3</sup>

The fundamental charge against the captaincy-system was, of course, its artificiality, or, to put it another way, its contravention of natural development. The provinces were crudely ruled off on the map with little or no regard to natural conditions. The stream of emigration was split up into a number of currents, each setting under direction toward the locations in each captaincy upon which, for sufficient or insufficient reason, the donatarios had pitched. Consequently, as Martins says, settlement started in several distinct centers of "social ossification," and the colony tended to subdivide itself into a number of dis-

<sup>1</sup> Varnhagen, I, 69-71; 192; 200; Watson, I, 155-158; Zimmermann, I, 125 ff.

<sup>2</sup> Cf. Martins, *Hist. de Port.*, I, 52.

<sup>3</sup> Rio-Branco, 110 ff; Watson, II, 239; cf. Martins, *O Brazil, etc.*, 13. For a list of the early governors of Brazil, see Martins, *O Brazil, etc.*, 25, note.

connected areas.<sup>1</sup> Thus a variety of small centers of feeble development, and therefore exposed to many special exigencies, took the place of several strong and populous nuclei in localities naturally selected as favorable to man and his activities. Again, the attempt to impose an aristocratic system upon a virgin country was sure to encounter the fate reserved for such attempts, under similar circumstances, throughout the history of colonization. The efforts of noble Portuguese houses to transplant their less promising offshoots beyond the seas in the natural course of events came to naught.<sup>2</sup> The establishment of the capital at Bahia was a further exhibition of the same artificial methods. Although cartographically central among the scattered nuclei already mentioned, Bahia was the focus neither of economic development nor of population. It took a time of stress, forcibly calling attention to the superiority in these respects of the southern provinces, to secure the removal of the capital to Rio de Janeiro.<sup>3</sup> One must, however, realize that at the outset the southern provinces were regarded as relatively unimportant, since they produced none of those tropical products which alone appealed to the Portuguese. The flow of population to these regions was slight and almost unnoticed until the gold discoveries.

The man chosen to be the first Governor-general was D. Thomé de Souza, and the selection was apparently a happy one. He attended to the much-neglected interests of the crown, reduced the excessive power of the donatarios, and established better relations with the Indians. He also saw the value of the "new Christians" (*novos cristãos*) and tried to protect them. Without using his position to justify undue interference, and leaving locally established government, where it was stable, alone, he yet punished prevalent acts of atrocity with great severity and labored always to curb the mutual hostility and to effect the consolidation of the almost independent captaincies.<sup>4</sup>

<sup>1</sup>O Brazil, etc., 126, 127; cf. 12. This tendency was later accentuated in consequence of the "adventurous hunt for Indians and mines."

<sup>2</sup>See Martins, O Brazil, etc., 12.

<sup>3</sup>See p. 406, below.

<sup>4</sup>Stephens, 225 ff.

His administration is looked upon as one of the landmarks in Brazil's early history. Under his successors, although they were in general men of an inferior stamp, population increased and the state of the colony became more satisfactory. This was more particularly the case during the governorship of Mem de Sá (1558-1570).<sup>1</sup>

At the very outset of their acquaintance with Brazil, as has been said, the Portuguese, judging that country and India according to the same criteria, regarded it as of comparatively slight value. Of the one local product which appealed to them with any force, relatively but small and variable quantities could be gotten at the coast. For the native population of Brazil were and remained practically insensible to economic stimuli, presenting in this a complete contrast to the Eastern peoples to whom the Portuguese were used. In the East, European demand impinged upon the native rulers, and these took measures to secure an increasing output, but in South America, as the Portuguese knew it, there was no native organization to receive and transmit pressure. A certain amount of settlement and of production under European management was thus in Brazil an almost necessary condition for the development of trade. We have seen that the earliest settlers were largely convicts and fugitive Jews. The latter, with characteristic resource and industry, speedily introduced the cultivation of the plant which furnished in time the staple of Brazil—the sugar-cane. Sugar-production once started in a favoring environment, plantations developed rapidly and yielded good profits. Each plantation demanded a rather numerous European personnel,<sup>2</sup> and since the Portuguese government, in its low estimation of Brazil, spared it a good part of that petty regulation which discourages individual initiative, a number of desirable emigrants were gradually attracted across the seas. Because Brazil had shown no promise of wealth in gold and silver, it had for a time been on the verge of official abandonment. It was the "wholesome neglect" which fell to its share that saved it in some degree, especially during its early years, from the

<sup>1</sup> Or *Mem de Sá*, as Varnhagen insists (I, 233).

<sup>2</sup> Watson, II, 120.

system of ruthless exploitation under which tropical dependencies have so often languished.<sup>1</sup>

In spite of the fact that the Portuguese frequented this tropical climate with some impunity, it soon became clear that they were incapable of doing justice to the sugar-industry without aid. They were not numerous enough, many were physically unable to put forth the effort required, and almost all were by character unfitted. They began early to have recourse to native labor, and experienced little difficulty in coercing the rude and mutually hostile Indian groups to their will. The Portuguese have always taken readily to the slavery system, and here it was in many ways indispensable to the preservation of economic life. But it was not put into operation unopposed. If in their material preoccupations the Portuguese as a whole had ceased to think much about the extension of the faith, there was among them a class of professional zealots who claimed to think about nothing else—the Jesuits. This powerful order set itself strongly against Indian slavery, for it contemplated the organization of the untouched savages, their segregation from demoralizing association with Europeans, and their conversion *en masse*. The incompatibility between the economic needs of the planters and the religious aims of the Jesuits manifested itself in the early days of the Portuguese settlement, and the story of the collision of the two conflicting interests forms a good part of the history of the colony.

The country was, then, primarily an agricultural one, and sugar and woods long formed its major exports. About 1580, São Salvador had 57 sugar-works, exporting annually 2400 hogsheads; Pernambuco had 50. In addition to sugar, many

<sup>1</sup>"A policy of rational freedom exempted agriculture, industry and commerce from vexatious restrictions, opening the colony to foreigners upon the payment of light differential duties. The imposts were moderate, the monopolized articles few, and the movement of individuals from one captaincy to another, or from any one of them to foreign parts, was free. Such was the first constitution of Portuguese America . . ." Martins, *O Brazil*, etc., 10-11. In fact, after 1640 and the loss of the Oriental empire it was seen to be useless to prohibit the cultivation of spices, etc., in America. *Id.*, 67. It was much later (eighteenth century) that limitation of Brazilian production in the interest of Portugal took place. Zimmermann, 1, 172. Stephens, 227 ff.



products for a prevailingly local use were raised. The orange, lemon, and palm trees grew well, likewise the cocoa and tea plants. There were also some valuable Indian foods like manioc. Cattle and horses, imported from the Cape Verdes, thrived and multiplied. Aside, therefore, from a single main staple, Brazil grew many other products valuable for the maintenance of life. All through the sixteenth and seventeenth centuries the colony proceeded toward a more settled and extensive agricultural economy, and although only an occasional portion of its immense periphery was settled, the stations were of a common type. The colony became constantly more valuable to Portugal; for one thing, the mother country enjoyed its exclusive trade. Toward the end of the sixteenth century about forty-five ships came to Brazil annually for sugar and brazil-wood, and Portugal likewise monopolized the coasting trade.<sup>1</sup> When the decadence of India had now become apparent, it was realized that Brazil was the most valuable national possession, and it went steadily on in its development, despite checks presently to be mentioned, until its trade with Portugal equalled that of Portugal with all the countries of Europe.<sup>2</sup>

In spite of the value of Brazilian sugar, however, the Portuguese trade policy was, at least in comparison with the Spanish, liberal. Non-Portuguese were early handicapped by certain disabilities, but these were not prohibitive, as is proved by the constant increase of foreigners and their factories from the sixteenth century on. Commerce was subjected to the system of regular "caravans," but this was rendered but slightly oppressive because of the number of ships allowed and the number of stations visited.<sup>3</sup> Here again the treatment accorded to Brazil was markedly distinct from the measures

<sup>1</sup> Watson, 251-252; cf. Martins, *O Brazil*, etc., 67.

<sup>2</sup> Varnhagen, I, 303; Leroy-Beaulieu, I, 53. In 1688, "the fleet which sailed from Bahia was the largest which ever left that port, and yet it did not contain tonnage sufficient for the produce . . ." A further indication of commercial advance lay in the betterment of the currency (1694). Watson, II, 109.

<sup>3</sup> These were six in number: Lisbon, Oporto, Rio Janeiro, Paraiiba, Olinda, San-Salvador. Pombal replaced the caravans with privileged companies. Leroy-Beaulieu, I, 53.

that hampered the India trade. In fact, the Brazilians embarked so eagerly in commerce that the civil and judicial officers and even the clergy showed great readiness to become involved in speculation.<sup>1</sup> The settlers too, had something to say about the system. In 1649 when a privileged company was founded, commanding a large number of armed ships and a regiment of infantry and artillery, the merchants of Rio and Bahia were able by their representations to secure needed reform, and finally the suppression of the organization (1720).<sup>2</sup>

What has been said is perhaps enough to establish the fact that for two hundred years Brazil's development followed the line of agricultural production and exchange. It is not surprising, therefore, to find the writers on Brazil adopting a sort of self-congratulatory vein as they remark upon the lateness of the discovery of the country's mineral wealth. For, as they say, Brazil's very poverty and its consequent neglect gave it the opportunity for an unhurried, natural development as a transplanted portion of the Portuguese nation, and as a result they adduce the conservation in Brazil of the Portuguese language, the Catholic religion and many another national character which causes the powerful western state, now that India is gone, to reflect glory upon its diminutive metropolis, and to lend it economic and other support. This is an *a posteriori* judgment with the usual excellences of its kind; the Portuguese of the sixteenth and seventeenth centuries felt nothing but chagrin at their commonplace colony, when they compared it with the golden soil of Peru. There were from the outset certain rumors of mineral wealth and convictions that "the ground of Brazil and of Peru were the same," but for generations no verification appeared.<sup>3</sup> The discoveries for which the pioneers longed and toiled were delayed until the eighteenth century.

<sup>1</sup> Watson, II, 116-117.

<sup>2</sup> Rio-Branco, 135; Varnhagen, II, 37 ff.

<sup>3</sup> "There existed a conviction that the 'ground of Brazil and that of Peru were the same.' . . . But it did not please God to ordain that this should be confirmed before Brazil was more secure. The expeditions which were undertaken did not come to anything. And it is lucky that they did not, for the discovery of mines in the interior, when there were still so few people on the coast, would have left the latter district deserted, and the French would have perchance seized upon it." Varnhagen, I, 214. Cf. Leroy-Beaulieu, I, 54-55.

The history of the colony from the time of Mem de Sá (about 1570) until the period just mentioned, shows little worth remark upon the purely administrative side. The doings of many decades are really massed about two great and protracted struggles—that between the planters and the Jesuits in regard to the labor-supply, and that of the Portuguese colonists as a whole with the aggression of foreign nations, chiefly France and Holland.<sup>1</sup> That the former and internal contest was subject to periodic truces during which erstwhile enemies worked shoulder to shoulder in a common cause goes almost without saying, if one recalls the traditional qualities of the Portuguese when forced to the defensive.

Of the quality of the European population in Brazil something has already been said. Taking into account the fact that Brazil was at the outset practically a penal colony, it is not difficult to understand why the ecclesiastics soon found themselves obliged to raise a voice against the depravity of religion and morals. There was no honor in the public business, but in its stead a "cynical egoism." Justice, good faith, and confidence had fled the land. Robberies and assassinations were everyday affairs. The average of crime was for some time higher than in Portugal itself.<sup>2</sup> This state of things was peculiarly characteristic of the time of the captaincies. But there were other influences at work to modify the character of the population, and one was the change of natural environment. The climate of tropical Brazil proved hurtful to many Europeans, and new diseases or new forms of old ones constantly appeared. Of the children born not one in three lived until the Portuguese mothers had learned to adopt native methods of care-taking.<sup>3</sup> If, in spite of these facts, it is said that "in no instance have Europeans suffered so little by transplantation from their own country into one of very different climate as did the Portuguese in Brazil",<sup>4</sup> the implication is that other Europeans suffered excessively rather than that the Portuguese escaped wellnigh scatheless.

<sup>1</sup> Watson, II, 112.

<sup>2</sup> Watson, I, 122, 253; Varnhagen, I, 203-204, especially 185-189.

<sup>3</sup> Southey, I, 345.

<sup>4</sup> Watson, I, 252-253.

Out of this tropical climate and other physical influences arose also the plantation-system of agriculture, to which some allusion has been made, and its general adoption and prosperity had produced a singular modification of customs on the part of what had been at one time a fairly laborious and economical element of the population. "In the more flourishing settlements . . . nothing could exceed the luxury of the female costume, the wives of the planters being attired in silks and satins covered with the richest embroidery, with pearls, rubies and emeralds. . . . The ladies of Bahia were so indolent of habit that on going abroad they had to lean on their pages lest they should fall. Even the men—if men they might be called—were unable to descend the declivity on which Bahia stands, and were carried down on a contrivance called a serpentine, that is to say, a hammock suspended from a pole, a slave attending meanwhile with a parasol."<sup>1</sup> About 1560 gaming had to be prohibited under severe penalties, for it had become a prevalent vice of an idle people.<sup>2</sup> The officials gambled with the opportunities of the colony itself in no less consistent a manner, and the governors, appointed generally upon a three-year term as in India, enriched themselves by every means. The underpaid functionaries were almost compelled by their exigencies to be dishonest. Even the priests, except the Jesuits, were chiefly engaged in securing gain.<sup>3</sup> The population was vain of material successes, but raw and uncultured, and it was still very small toward the end of the seventeenth century. The number of Portuguese who held this vast area subject should not be overestimated. Until mining led them inland they held small coast stations only. Spaces equal in size to an average European kingdom are still uninhabited. During the seventeenth century the numbers were "so scanty that it seems strange that the Portuguese could have at the same time contended successfully with a foreign invader and with hostile tribes in the interior."<sup>4</sup> In 1585 the settlements had a population of

<sup>1</sup> Watson, II, 121.

<sup>2</sup> Varnhagen, I, 252.

<sup>3</sup> Southey, I, 345; Watson, 114-115.

<sup>4</sup> Watson, II, 119, cf. 112.

about 57,000, of whom 25,000 were whites in scattered groups, 18,500 civilized Indians, and 14,000 African slaves,<sup>1</sup> and the next century saw relatively slight increase.

The whole system was based upon the domination and exploitation of the reduced country and people. For reasons assigned, the vital condition of economic existence was a cheap labor-supply, and the natives were early enslaved. Against this outcome the Indians struggled with all the desperation of the American savage, choosing death and race-extirpation to a servile station and labor. By the influence of the Jesuits their case was repeatedly brought before the King and State, and from early times orders of various kinds looking to their freedom were emitted from Lisbon. Without a strong local agency for their enforcement these would have been of no avail, and as it was they were again and again rendered null and void by the necessities and self-will of the colonists. The natural conditions demanded native slavery and it took all the force of the most powerful of religious and political brotherhoods to stem the tide.<sup>2</sup> The planters grew to hate the Jesuits as the authors of their misfortunes, and did not fail to assert that the fathers profited largely by the discomfiture of their victims. Yet it is to be noted that the Jesuits were not opposing slavery as an institution, but the specific enslavement of the Indians, of heathen whom they wished to gather into the fold while they were still uncontaminated by contact with the lambs already technically in, but not as yet wholly above suspicion.

Whatever the theories, the facts speak for themselves. The colonists at first repaid themselves for their labors in reducing the country by drawing upon the physical forces of the conquered.<sup>3</sup> But as the plantation grew, these products of "just wars" were not numerous enough, and periodic slave-raids comparable to the better-known *razzias* of Africa were the regular thing. These were attended by an enormous waste of life

<sup>1</sup> Rio-Branco, 116.

<sup>2</sup> Watson, I, 161-163; Varnhagen, I, 257 ff. A good general sketch of the Indian situation and the conflict of planters and Jesuits is given by Zimmermann, I, 128 ff.

<sup>3</sup> Martins, O Brazil, etc., 50.



under cruel treatment and exposure. As slaves the Indians were not able to perform the hard labor imposed upon them and to which they were totally unused, and they died away as a race beneath it. At first the colonists were allowed to enslave at will. Later King Sebastião issued a clerically inspired regulation (1570) declaring all Indians free "excepting such as should be taken in war made by command of the king or governor, or such as were aggressive cannibals." In later times many similar decrees were published, but these were almost invariably made to suit every individual occasion.<sup>1</sup> As in the Spanish Indian legislation, the intent was of the best, but the force of natural conditions in the distant colony completely negated its realization. Even the so-called free Indians, who had voluntarily submitted to the Portuguese, were forced to leave their families destitute of support, while they raised and prepared tobacco on the plantations.<sup>2</sup> The aggressions of the Europeans rendered the efforts of the Jesuits in collecting the coast-natives into villages, there to civilize them under a paternal direction, a constant disappointment. Continued raids and fomentation of inter-tribal strife brought it about that by the end of the sixteenth century both missionaries and slave-raiders had to penetrate much further into the interior in quest of converts and captives.<sup>3</sup> This was particularly marked in the district of São Paulo. In this relatively temperate climate the inhabitants (Paulistas) exhibited a superior energy and persistence in the enslavement and extermination of the natives. Attacked by the exasperated savages, they retaliated in a seven-years' war (1592-1599) in which about three hundred villages were destroyed and thousands of Indians slain or enslaved. Man-hunts of this nature then became periodic, and the Paulistas gained a disgraceful reputation for their exploits in a bad business. The bewildered natives, a prey to epidemics of

<sup>1</sup> Watson, II, 82-83; 85; 115-116; Varnhagen, I, 173 ff.; Zimmermann, I, 128 ff.

<sup>2</sup> Watson, II, 84.

<sup>3</sup> Watson, I, 258. Varnhagen (I, 174-178) regards the early enslavement as a civilizing process, and asserts that the tales of cruelty represented exceptional cases, many of which were punished; the effects of a mistaken humanitarianism, sustained by the Jesuits, were deleterious.

disease strange to them, with everything going against them, became panic-stricken and intractable, choosing death in preference to the hazards of the strange and repulsive fate forced upon them.<sup>1</sup> The Jesuits, seeing the futility of their strenuous and for the most part disinterested efforts for the natives, were gradually driven to the conviction that it was impossible to proceed with the conversion and civilization of the latter so long as the civil authorities should have any power over them. During the seventeenth century, under the leadership of the single-minded and energetic Vieyra, their efforts to secure the sole authority over the Indians were unremitting. They gradually gained extensive control; large sections of the aboriginal population were delivered entirely to them, and they enforced their authority with characteristic fearlessness.<sup>2</sup>

The jealousy of the settlers now passed the bounds of repression. They were so given over to the slave-system that they could no longer provide for themselves. A biological differentiation of function, as it were, had left them, like Darwin's slave-making ants, in a sort of parasitic relation to a subject race. "Men of noble lineage could not bring their children to the city because they had no slaves to row their canoes." On account of the activity of the Jesuits many planters "had no one to fetch them wood or water, and were perishing for want of slaves to cultivate their lands." Respect for law, heretofore manifested at least in form, broke down, threats of separation from Portugal were uttered, and a general tumult of hostility to the Jesuits broke out. The mob dragged the fathers from their cells, forced a resignation of control over the Indians in favor of the civil authorities, and undertook the speedy deportation of the whole Order. A skillful governor, Segueira, managed to uphold authority without an appeal to force (1662), but the planters did not forget their day of triumph, and the Jesuits never again dared so imperiously to assert their dominance in the colony's affairs.<sup>3</sup> Thus their

<sup>1</sup> Rio-Branco, 127 ff.; cf. Martins, *O Brazil*, etc., 25-26; Watson, II, 97-98, 115-116, 270.

<sup>2</sup> Watson, II, 85, 88-89; Leroy-Beaulieu, I, 52; Martins, *O Brazil*, etc., 30, note.

<sup>3</sup> Watson, II, 92-94.

struggles against the enslavement of natives on the plantations were of little ultimate avail, and the outcome of their subsequent efforts to save their protégés from the mines was, as will presently appear, still more disastrous, at least to themselves.

The Indians constituted the labor force nearest at hand. Their conquest and capture afforded an employment which had been, and is said still to be, congenial to the Portuguese as a people.<sup>1</sup> Their initial cost was, especially at the outset, negligible. Hence the prevalence of Indian slavery and the resistance to its abolition. However, from the earliest years of its occupation, Brazil had been the destination of an increasing number of African slaves, chiefly from the Guinea coast.<sup>2</sup> The various hindrances thrown by government and clergy in the way of the enslavement of the Indians caused the less tenacious or more law-abiding of the cultivators to have recourse to the imported labor-supply. And it was speedily recognized that the negro was far superior to the Indian for the purpose at hand. Indeed, it has been observed through history that the former race, both by physique, resistance to environment, and temperament, has been almost preordained to serve its more energetic fellows. But the great difficulty was that the planters could not afford the initial cost of the negroes, however great their superiority.<sup>3</sup> There was no opposition to negro slavery, *per se*, however, on the part of anyone, and it steadily increased with the decline or liberation of the natives. By 1585 Pernambuco counted some 10,000 African slaves, Bahia 3,000 to 4,000. Elsewhere they were relatively few in number, for they found their greatest usefulness on the sugar-plantations. At one time in the seventeenth century the proportion of negroes to whites in Bahia was estimated at twenty to one, but this was by no means true of Brazil as a whole.<sup>4</sup> It need scarcely be said that this trade in human working animals exhibited the stock features of heartlessness and incredible cruelty. The voyage from Guinea was relatively short, but its terrors were manifold. There are not lacking

<sup>1</sup> Watson, II, 81-82.

<sup>2</sup> Varnhagen, I, 182.

<sup>3</sup> Watson, II, 111; Martins, *O Brazil*, etc., 52.

<sup>4</sup> Watson, II, 116-117, 121.

those who believe that the scourge of yellow fever was fixed upon Rio Janeiro and other American ports by reason of the dumping of filth and diseased corpses from the slavers into the waters of the harbor and its environs. Once at work, however, the very value of the negroes insured them against such harshness of treatment as fell to the lot of the unadaptable and generally obdurate Indians, and with their increase there were added to the constituents of population several new varieties of mongrel, and a body of runaway or bush-negroes, who ranged the forests in a condition of dangerous tribal independence.<sup>1</sup>

This internal struggle over the labor-question was not allowed, in the course of events, to monopolize the attention of government and people. The more northern nations of Europe were gradually losing, as the sixteenth century wore on, both their respect for the papal awards to Spain and Portugal and their fear of the exaggerated naval power of these once irresistible states. Plucking up their courage, they began to infringe first of all upon the Spanish and Portuguese possessions on the Atlantic. From the time of the discovery of Brazil the French had occasionally visited the region; indeed it was their appearance in this quarter which incited in the Portuguese a realization of the possible value of their neglected acquisition in America. The first serious attempt of the French to establish themselves in what is now Brazil occurred in 1558, when an adventurer, Villegagnon, occupied an island in the bay of Rio Janeiro. He was actively encouraged by Coligny, and was left unmolested by the Portuguese for four years. "Some ten thousand Huguenots were ready to emigrate with their arts had they been sure of meeting with toleration, but the governor's arbitrary proceedings ruined the project." By this time the court at Lisbon had been aroused by the Jesuit Nobrega to a realizing sense of the rivalry of the French, and after some hard fighting, the latter were expelled from their position. Several subsequent attempts of the French in the same region were speedily thwarted; Rio was again taken by them in 1711, but was held

<sup>1</sup> Martins, *O Brazil*, etc., 62-63. For the "republic" of Palmares, which attained its greatest vigor about the middle of the seventeenth century, see Watson, II, 110-111, 134, Martins, *O Brazil*, etc., 64, 66.

for a brief period only. It was not until the latter half of the seventeenth century that they actually established themselves in Cayenne.<sup>1</sup>

If the French peril was a serious one, that which attended the appearance of the Dutch came near to being fatal. Up to the incorporation of Portugal by Spain (1580) the Portuguese and Dutch had been common enemies and combatants against the latter power, but with the accession of Philip II. to the throne of Portugal, both this and other fortunate *rapprochements* were terminated. For sixty years Portugal was destined to share the odium of Spain and to receive blows delivered at her. Dutch successes in the East had led to the formation of the West India Company (1621), one of whose main objects was the harassing and conquest of Brazil. The difference between the enterprises of the Dutch and the predatory expeditions of the French and English speedily became apparent to the Brazilians. They found, to their astonishment, that the Dutch intended to stay. This situation roused the national spirit in the contests with the Hollanders as it had not been stirred in the brushes with other Europeans.<sup>2</sup>

The history of the Dutch occupation of Recife (Pernambuco) and six provinces of Brazil might be more fitly taken up from the standpoint of the West India Company and its career. The Portuguese steadily opposed the Dutch occupation and, owing to the short-sighted and parsimonious policy of the Company, with some success. The turning-point came in 1640 with the separation of Portugal from Spain and the accession of the house of Braganza, an event which detached Portugal from the destiny of Spain, and ranged her again among Spain's enemies, among the chief of whom were the Dutch. The altered situation was at once recognized in form, and a truce for ten years was arranged between the States and Portugal (1641). This, however, was illusory. A year's time was given for notifying the truce to the Dutch authorities in the Indies, and aid was

<sup>1</sup> Watson, I, 160-161; II, 106-108, 184; Varnhagen, I, 36 ff.; 329 ff. A chapter of the Huguenots in Brazil is given in Parkman's *France and England in North America*, Pt. 1 (*Pioneers of France in the New World*, ch. 11).

<sup>2</sup> Martins, *O Brazil*, etc., 39-40.



afforded to Portugal against the common enemy; but the interval was employed in pushing forward the Dutch conquests in Brazil, and in seizing São Paulo de Loanda in Angola, the source of the entire supply of slaves for Brazil.<sup>1</sup> This, besides cutting off a lucrative trade, was a severe blow to the prosperity of the plantations; and after the recall of Count Nassau from Brazil the policy of the Dutch became less and less conciliatory, and the exasperation of the Portuguese more pronounced. In Maranhão, Bahia, and Pernambuco the people began to work for their own deliverance. The general revolution was headed by João Fernandes Vieira, a very wealthy planter, operating in the region of Pernambuco. It was not at first a universal movement, for many thought it hopeless and wished for peace at any price; but the impolitic procedures of the Dutch, who in their inability to reach the actual insurgents began to oppress the lukewarm who had stayed at home, speedily rendered a neutral status untenable. The party of Vieira constantly gathered momentum, and advanced from guerilla warfare to battles and sieges. The Company provided insufficiently against the danger, and the outcome was not long delayed. The Dutch, hampered by the English war, were driven by 1654 to a surrender of all their holdings on the coast of Brazil, and further activity on the part of Holland was discouraged by the attitude of England and France. In 1661 negotiations were concluded whereby the Dutch renounced attempts on Brazil in return for certain considerations in money and trade and the restoration of their captured cannon.<sup>2</sup>

Thus ended the most serious danger to Portuguese dominance in Brazil. Under a more enlightened policy on the part of the Dutch the whole destiny of the country might have been altered. But an outcome of the kind described was quite characteristic

<sup>1</sup>The pretext given for this action was disbelief in the permanent separation of Spain and Portugal. It must also be borne in mind that peace concluded between European nations never strictly applied, in these earlier periods, to their respective colonies.

<sup>2</sup>On the Dutch in Brazil see Watson, II, p. 1 ff.; Varnhagen, I, 335-404; Zimmermann, I, 138 ff., Van Rees, *Staatshuishoudkunde*, II, 182 ff.; G. Edmundson, *The Dutch Power in Brazil*, in the *English Historical Review*, vol. 11 (1896), 231 ff.; vol. 14 (1899), 676 ff.; vol. 15 (1900), 38 ff.

of the West India Company. Of course the violence and disorder of the period were very unfavorable to the economic prosperity of Brazil; in partial compensation, however, certain distinct advantages emerged from the Dutch occupation. First of all, the Brazilians attained a sense of self-sufficiency and power and a consciousness of unity not experienced before. Like the Spanish-Americans of a later period, they had expelled a powerful invader practically unaided, for Portugal, though in sympathy with the insurgents, did not dare to offend her Dutch allies against Spain by openly lending aid. Thus the Brazilians felt, in a sense, that they had attained their political majority. Portugal realized the changing conditions, and in 1645 the colony was made a *Principado* by the designation of the King's eldest son and presumptive heir as Prince of Brazil.<sup>1</sup> During this period of misfortune the Brazilians came also to realize the nature of the Inquisition<sup>2</sup> as a check upon the country's development, and were able better to secure commercial and other enterprises against the peril of confiscation of capital, ecclesiastical interference and like impediments. A Brazil company, in imitation of the Dutch company, was created against clerical opposition, and aided considerably in bringing the war to a successful end. It should be said, too, that the Brazilians profited by the fact that the Dutch introduced, as it were, their country to Europe. The conquerors not only described Brazil, in the course of their commercial operations, to people to whom it had been but a name, but they also made Brazilian products, chiefly sugar and rum, familiar articles in European markets. Their charts and records of soundings remained in use up to a very recent time. It can hardly be said that the Dutch occupation exerted otherwise any considerable influence upon the

<sup>1</sup> Varnhagen, I, 246; II, 2

<sup>2</sup> The Holy Office, as has been intimated, never attained a firm footing in Brazil; but it interfered more or less regularly in affairs. Immediately preceding and during the union with Spain its influence waxed, and it assumed at times an independent judicial power. About 1702 a second period of vigor ensued, and between 1707 and 1711, 160 persons were seized and persecuted. The total number of colonists condemned by the Office acting in Lisbon was about 500. At times physicians, lawyers and even ecclesiastics came under its displeasure. *Autos-de-fé* were relatively infrequent. Varnhagen, II, 179-183.

future of the country. The Hollanders furnished an example of industry and extreme domestic cleanliness to a people who had a good deal to learn along these lines. They also benefited the country by their experience in the treatment of damp soils in horticulture, in the construction of public works and in other lines. But they had not time to develop any of these things to the full, nor did they intermarry to any great extent with the Portuguese, for difference of religion presented insuperable obstacles. They were in the country twenty-five years, but "when they departed they left little or no trace behind them either in religion, language or manners."<sup>1</sup> In fact the departure of the Hollanders was signalized by a reaction toward Catholic fanaticism, and oppression of the Jews and Protestants.<sup>2</sup>

There was no ominous menace to Brazil from other enemies than the French and Dutch. During the Spanish predominance English fleets occasionally raided the coast, notably in 1582, 1586, and with most damage in 1594. Although considerable booty was secured, none of these attacks threatened the conquest of the country.<sup>3</sup>

An attempt has been made thus far to clear up the perspective of Brazilian history previous to the eighteenth century; for with the end of the seventeenth the general trend of development in this colony takes a decided turn which provides a convenient break in presentation, and an apt point of departure for the ensuing narrative. Hitherto the colony had been almost wholly devoted to agriculture and the exchange of agricultural products;<sup>4</sup> but with the eighteenth century there is

<sup>1</sup> Watson, II, 118; life in the interior still remained distinctly primitive. *Id.*, II, 266.

<sup>2</sup> Varnhagen, II, 42.

<sup>3</sup> Watson, II, 254-258.

<sup>4</sup> Martins, *O Brazil*, etc., 15-16, summarizes the early development of Brazil as follows: "a) First material of colonization: convicts and Jews deported by the sovereign; escaped criminals, colonists assembled by the donatarios; in Brazil, enslaved Indians, and everywhere Guinea negroes exported as instruments of labor. b) Species of colonial enterprise: agriculture, characterized almost exclusively by the culture of cane and the manufacture of sugar. c) Social constitution: feudal, by way of territorial grants, seigniories or captaincies; or by mercantile monopolies, as

injected into its life the new element of the exploitation of the mines, destined here as elsewhere to set a characteristic stamp upon social development. But it is to be noted in the case of Brazil, as has been intimated already, that, unlike the majority of gold and jewel-producing countries, it had already worked out two centuries of development along other and substantial lines, before the rush of prospectors and the formation of mining communities could introduce disorder and a perversion of steadier and more normal development.

Hopes of a second Peru were early indulged, but the seventeenth century was well on to its end before any real promise was disclosed. A succession of arduous exploring expeditions culminated in 1693 with the exhibition of some promising specimens of gold,<sup>1</sup> and the consequent establishment of a smelting-house. The district toward which attention was turned was Minas Geraes, and, although the section was uninviting, it speedily became the Mecca of those who were impatient of laborious methods in the acquisition of wealth. The stampede for claims was so wild that special regulations had to be passed as early as 1702 limiting grants and defining tenure.<sup>2</sup> The plantation system was all but ruined; farms were deserted and ran to waste; negroes were transferred, by an excess of demand for their services, from the sugar-producing areas to the mines. The rise in the price of raw sugar disabled the refining industries, and the French and English in the West Indies, taking advantage of the situation, began to invade the European market hitherto supplied almost exclusively from Brazil. With the decline of the staple commodity, general trade suffered a great reverse. Some attempts were made to remedy this situation, but they were presently given up, for the Lisbon government was not hard to persuade that mining was more

in Guinea; conjointly with the governors-general as representatives of the sovereign. Ecclesiastical organization; in imitation of the kingdom, in bishoprics and parishes. Free missions, chiefly of Jesuits." For the status of Brazil at the end of the seventeenth century, see Varnhagen, II, 92 ff; 136 ff.

<sup>1</sup> For the earlier efforts, see Martins, *O Brazil*, etc., 78, note.

<sup>2</sup> The regulations in force about 1710 are rehearsed in Varnhagen, II, 103 and ff.

profitable than sugar-raising.<sup>1</sup> The old preoccupations which had once rendered Brazil inconsiderable to the Portuguese now exalted it to a position of superlative importance. With the development of the mines, then, it may be said that Brazil ceased for the time to be an agricultural colony. And the discovery in 1730 (also in the Minas Geraes) of the diamond fields carried the change considerably further. Brazil fell back from its dignified status as a producing and developing region into the position of a California or a South Africa.

The results of heightened interest on the part of the home government began at once to make themselves visible. The Crown demanded its fifths and marked out its allotments, and, as was inevitable under the conditions, it gradually enacted more and stricter regulations in its effort to control the illicit export of gold dust. All the gold was to pass through the royal smelting-house. Restrictions of the entrance of foreigners to Brazil were rendered more stringent than before, and even the Portuguese were required to exhibit passports. The ineffectiveness of the crown levies on the gold production led in time to the substitution of a poll-tax upon slaves; and yet, in spite of its strenuous efforts, the government was constantly defrauded. In the case of the diamonds, the system of the royal fifths was found impracticable from the first and a capitation tax on slaves was early adopted. The diamonds were to be remitted in the royal ships only, one per cent. on their value being charged as freight. It was necessary likewise to limit the output of diamonds, for within two years their price in Europe had declined seventy-five per cent.<sup>2</sup> The state undertook to reserve the diamond country and to limit the extraction, and the profits thus derived were very large. Between 1700 and 1820 Portugal consistently derived from takings and taxes in gold mines and diamond fields a revenue upon which rivals looked with undisguised envy.<sup>3</sup> However, prosperity

<sup>1</sup> Watson, II, 171-174; Varnhagen, II, 174 ff.

<sup>2</sup> Leroy-Beaulieu (I, 55-56) defends upon economic grounds this limitation of output, at the same time stigmatizing the means adopted by the government. Cf. Watson, II, 171-172, 186-190, 244-245; Martins, *O Brazil*, etc., 80.

<sup>3</sup> Definite estimates of such income are, of course, impossible. Eschwege calculated the total product of the fifths as about \$65,000,000. They are



based upon such hazardous undertakings is apt to be illusory. It has been calculated by a competent authority that the value of the diamonds extracted between 1740 and 1820 scarcely equalled the product of eighteen months derived from the sugar and coffee-plantations.<sup>1</sup>

The social effects of the discovery of the mines were naturally very marked. The passion for gambling with large hazards induced a general movement among the population towards the uncertain and away from the secure and substantial. In a certain sense the temper of the Portuguese in India was reproduced. That this movement was not more disastrous than it was is referable largely to the tardiness of the discoveries, as occasion has already been taken to show. Of course the mining districts themselves were the centers of turbulence, irregularities, and disorder. In the arid interior, conditions of existence were very hazardous. Life in the diamond fields was about synonymous with sojourn in a desert. The necessities of life rose to famine prices. Men were driven by a shortage of food to cultivation or cattle-raising, occupations which were often found to be more profitable than mining. However, the great enticements of the golden harvest led to a considerable settlement,<sup>2</sup> much of which was referable to the immigration of the stubborn, independent, half-Indian Paulistas. In 1776 Minas Geraes had a population of some 320,000.<sup>3</sup> The thought by others to have reached a minimum of \$2,000,000 annually. A valuable list of estimates is given by Martins; *O Brazil*, etc., 83, note. Others are found in Watson, II, 244; Stephens, 348; Zimmermann, I, 168-169; Martins, *Hist de Port*, II, 151; Branco, *Port. na Epocha*, etc., 99. It should be realized that these sums represented a much greater value in the eighteenth century than they would at the present time.

<sup>1</sup> Eschwege, quoted in Leroy-Beaulieu, I, 56.

<sup>2</sup> "Brazil attracted, early in the eighteenth century, the entire Portuguese emigration. The rapidity with which this emigration developed was such that Dom João V. . . . promulgated a decree in 1720 in order 'to prohibit the yearly migration from this country to the captaincies of Brazil of so many people . . . chiefly from the province of Minho, which, from being the most populous, today finds itself in a state of not having enough people to cultivate the soil, or to perform social services.'" Corvo, I, 15.

<sup>3</sup> Watson, I, 269. Martins believes that the very names of the new mining settlements, which are mainly of local origin and seldom Portuguese, witness a progressive nationalization or assimilation of the stream of

temper of the miners was lawless from the outset, and they had to be quelled again and again by governmental forces, as well as constantly spied upon and restrained in the interest of the crown revenues. Insurrections against such restraints were put down only after prolonged resistance, and by summary methods. Again, the large importation of negroes into Minas Geraes rendered race-conflicts the order of the day, and special effort had to be put forth to check the formation by escaped slaves of dangerous predatory bands. However, despite the perversion of law and order that resulted from the gold and diamond discoveries, the outcome of the movement toward the interior was a progressively increasing exploration of the country, its resources and waterways.<sup>1</sup>

One of the consequences of the gold discoveries was, naturally enough, the accentuation of differences regarding the treatment of the natives, for not only were slaves of all kinds in demand at the mines, where their position could scarcely be better than on the plantations, but the penetration of the interior and the rapid growth of European population worked toward the infringement of that isolation in which the Jesuits desired to keep their actual or prospective converts. The idea of the Jesuits, which perhaps appears more typically in the Paraguay missions, was to keep the Indians under their own tutelage and in a life of repose under discipline. They divided the country systematically, and their *aldeias* or industrial missions rose at regular points over the whole. They labored excessively, building churches and establishing schools, learning native tongues and translating into them the prayers of the Church. Their system was mild and paternal; they neither corporally punished their charges nor would they sell or otherwise part with them. They did much to introduce civilization among the Indians, and, in order to make their work secure and to spare bad examples, they strove to keep the settlers at a distance.<sup>2</sup> In this they were aided by the laws of Pedro II. (1667-

immigration. O Brazil, etc., 85 and note. He also thinks the frontier education was one that strengthened the love for independence and at least indirectly contributed to the emancipation. Id., 79.

<sup>1</sup> Watson, II, 171; Martins, O Brazil, etc., 19; 32-34; 80-81.

<sup>2</sup> Watson, II, 267.

1706), which forbade Portuguese to dwell in the missions. However, the Indians in Brazil, still subject to civil authority, never clung to the fathers as did the Guaranis of Paraguay; nor could the settlement of the whites be prevented, when strong enough motives for such establishment were once developed. But the activity of the Jesuits, hateful as it was to the planters, and the legislation secured in favor of the Indians, were not without their influence. For when the mines were opened the effect upon the condition of the natives was far less disastrous than would have been anticipated. This was partially due, of course, to the increased use of negro labor.<sup>1</sup> The natives' sphere of rights had been extended and with fewer qualifications as time went on. It is a curious coincidence that the Indians were made unqualifiedly free before the law almost coincidentally with the expulsion from Brazil of their old-time defenders, the Jesuits (1758).<sup>2</sup>

It has been shown how the popular mind became inflamed against the Jesuits in consequence of the determined efforts of the latter to prevent the settlers from taking full advantage of what seemed to them a naturally provided labor-supply. It was practically impossible to persuade the planters that the Jesuits were disinterested antagonists. The conviction grew apace that the *aldeias* were simply competing plantations, worked at a merely nominal cost by converts adroitly turned into slaves. There was much color to this persuasion, for the missions did not lag behind in production. The planters felt that they were being overreached even before the opening of the mines, and when, in consequence of this latter event, they lost a large proportion of their workers, and the price of negroes rose, their exasperation over the relatively prosperous status of the Jesuit plantations steadily increased. The Company had become "a true industrial association with which no single capitalist could compete."<sup>3</sup> It had acquired or assumed a degree of political power,

<sup>1</sup> Watson, II, 170; 201-202; Varnhagen, II, 93 ff.

<sup>2</sup> Martins, *O Brazil*, etc., 30, note; for a general account of the Indian legislation, etc., see Zimmermann, I, 136 ff.

<sup>3</sup> Varnhagen, I, 260; cf. 257-261; Martins, *Hist. de Port.* II, 185; Rio-Branco, 131.

in the attainment of its economic strength, which galled the settlers, especially in the southern provinces where population was more dense. The fathers were driven from the south first of all, and then from the Bahia region. They were not secure even in the extreme north.<sup>1</sup> It is probable, therefore, that with the growth of population Brazil would alone have rid herself of her incubus, but it was from the metropolis which had fostered the Jesuits that final relief came.

King João V. (1706-1750) had been the unresisting tool of the Society,<sup>2</sup> but with the accession of José I. (1750) the situation changed. Carvalho, the Marquis of Pombal, became the dominant figure of the new reign, and, in the estimation of some, the most eminent statesman of his time.<sup>3</sup> Of his many projects those which touch vitally upon our subject were the freeing of the Indians in Brazil and the universal and merciless pursuit of the Jesuit order. Pombal's object in freeing the Indians was that they should blend with the Portuguese population in Brazil. His hostility to the Jesuits resulted from his desire to strengthen the monarchy both in Lisbon and in the colonies.<sup>4</sup> In 1757 the temporal power of the mission was suppressed. The Indians were definitely freed in 1758, and the *aldeias* were transformed into villages under common law. Naturally the Society suffered much from this cancellation of its means of support, being reduced almost to penury. Lay directors were appointed to carry out the royal purpose of christianizing and civilizing the Indians; needless to say, they neither possessed the preparation nor gained the successes of the Jesuits.<sup>5</sup> But there was more opportunity given for the amalgamation of races, and it was improved. "This is the true reason," says Varnhagen, "why the Indian type has disappeared almost absolutely from our provinces."<sup>6</sup> From this

<sup>1</sup> Martins, *O Brazil*, etc., 70-73.

<sup>2</sup> Cf. Branco, *Port. na Epocha de D. João V.*, *passim*.

<sup>3</sup> Watson, II, 232.

<sup>4</sup> Pombal and the King showed the greatest devotion to the welfare of Brazil. Rio-Branco, 146; Martins, *Hist. de Port.*, II, 204-205; cf. 207-208; cf. also Branco, *Port. na Epocha*, etc., 109 ff.

<sup>5</sup> Watson, II, 236-237; Martins, *O Brazil*, etc., 72-73; Rio-Branco, 148-149.

<sup>6</sup> Varnhagen, I, 205.

time on little is heard of the natives, for, as will be seen, the possibilities of African slave-labor began to engross the attention of those who had hitherto made requisition upon the Indians.

As for the Jesuits, the reasons for their expulsion from Portugal and the colonies go back to a series of wide-reaching activities of which the championing of the Indians was but one. "For two hundred years the Society had exercised unbounded influence over kings and courts. Its machinery for governing was so perfect, and its system was so subtle, that it began to appear to statesman that unless this ambitious order were speedily and effectually opposed it must soon dominate Christendom. . . . The doctrines of Ignatius Loyola admitted of nothing short of an absolute obedience. Kings were afraid to act without the approbation of an Order whose system of *espionage* was so complete as even to baffle secret confidential intercourse between sovereigns and statesmen. No one Catholic monarch felt himself strong enough single-handed to throw off the humiliating yoke."<sup>1</sup> Meanwhile the economic and political strength of the Order waxed steadily; it had already, and with considerable success, resisted the royal authority in India. A strong desire to free his country from this element led Pombal to seize the Jesuits in Portugal and ship them off to the Papal States (1759); and to decree their expulsion from Brazil together with the other colonies, an operation which was carried out in America with considerable gusto, and, it is said, with much brutality.<sup>2</sup> Their expulsion from France (1764) and Spain (1767) followed—events which attest the widespread misgivings occasioned by their economical and political activities.

The ignominious exit of the Jesuits from Brazil must not divert attention from the great services performed by them, before, having become conscious of the power of their well-knit organization, they yielded to the temptations of wealth and power. They performed herculean toil in their attempts to better the

<sup>1</sup> Watson, II, 232. For an extremely eloquent arraignment of the Jesuits, see Martins, *Civ. Iber.*, 289-294; *Hist. de Port.*, II, 85-100; 147 ff., and elsewhere in this author's works.

<sup>2</sup> Watson, II, 233-234; 237-238. Leroy Beaulieu, I, 52-53; Martins, *Hist. de Port.*, II, 147-148; 153; 182 ff.; Varnhagen, II, 194 ff.



condition of the natives, and their preaching was not wholly in vain, even amidst the exigencies of frontier-life. By 1750 no hostile tribes remained on the banks of the Amazon throughout its entire course. Such as had not submitted to the missionaries had retired into the interior.<sup>1</sup> We may pause here to note that, partly because of the activities of the Jesuits, Brazil had suffered from none of the direful native wars common in the earlier stages of a colony's life. The teaching of the Jesuits and their paternal system may have unduly hampered the development of initiative on the part of their proselytes. Their methods may often have been questionable and their lives scandalous. It is significant, however, that the natives could with difficulty be induced to leave the missions and work for the settlers. The Jesuits were often, no doubt, especially in later decades, examples of apathy and inculcators of superstition, but "the conquest and colonization of Portuguese America in the sixteenth and seventeenth centuries is in large part their work. As missionaries, they succeeded in winning thousands of Indians for civilization, and the native race became, thanks to their devotion, a considerable factor in the formation of the Brazilian people."<sup>2</sup>

One of the outcomes of Jesuit opposition to Indian servitude was the growth of African slavery and the slave-trade. Despite the cost of the negro the colonist was forced to use him, when the fathers had gained their day of success and had drawn the native peoples into the missions under their paternal protection. But it was the edicts of Pombal, freeing the Indians and giving them actually or prospectively the same rights as the Portuguese, that lent to the negro slave-trade an impetus hitherto unknown.<sup>3</sup> "In the first years (1755 ff.) of the existence of the *Companhia do Grão-Pará* the import of slaves into Brazil amounted to 100,000 per annum; of these 22,000 to 43,000 had Rio as their destination. . . . From 1759 to 1803 the colonial registers give, as consigned from

<sup>1</sup> Watson, II, 158-159; 199-202.

<sup>2</sup> Rio-Branco, 149; cf. Watson, II, 114-115; 123; Varnhagen, I, 202; 243.

<sup>3</sup> Varnhagen, I, 181-185; cf. Martins, O Brazil, etc., 30, note

Angola to Brazil, 642,000 negroes. The income from the exportation of negroes is estimated at 160 contos (\$160,000). . . . From 1817 to 1819 the average shipment for Brazil was 22,000, and, despite the legal cessation of the traffic, as late as 1839 there still issued from Angola 35 cargoes of slaves."<sup>1</sup> These great numbers were demanded partially in consequence of a heavy death-rate on the passage and in the colony. To get 65,000 slaves to Brazil it was necessary to start with some 100,000, and of the 65,000 some 3,000 to 5,000 died in the first two months after arrival. The profits of the trade were of course high; "the mine of negro labor was worth as much as or more than the new world mines of silver and gold." The colony acquired decidedly and definitely the character common to all the (plantation) colonies of North America and the Antilles—abandonment and extinction of the indigenous races, colonization of whites, and negro slave-labor."<sup>2</sup>

The results for Brazil of the prohibition of the slave-trade and the activities of the British cruisers were similar to those experienced by those other American districts which were devoted to tropical agriculture. If the outcome was less disastrous, it was because part of Brazil was a true settlement colony, and because even the tropical portions had gotten a start early in the country's history.

The gradual exhaustion of the mines toward the end of the eighteenth century allowed the colony, though with some distress, to return to its former and interrupted course of material development. Abandonment of the famous, but not sterile, source of wealth was hard, and it took almost a quarter of a century to give it up. It was during this period of transformation that Brazil, by the fact of its separation from Portugal, passes

<sup>1</sup> M. de Sá, *O Trabalho Rural Africano*, quoted in Martins, *O Brazil*, etc., 56, note. The close natural connection between Brazil and the source from which it drew its indispensable labor-supply, the West African stations, should receive especial attention. When the Dutch occupied Brazil (see p. 391, above) they were led as a matter of course to acquire the slave-stations; after their departure the Portuguese again managed to secure these complementary districts. See Martins, *O Brazil*, etc., vii; 37-38.

<sup>2</sup> Martins, *O Brazil*, etc., 54; 58-59; 73; 75; Leroy-Beaulieu, I, 53.

from the field of our researches. However, before it ceased to be a colony, Brazil had already turned back toward the type of life in vogue before the gold discoveries. The province of Minas Geraes had been the first to suffer from the decline of the mines and the ensuing economic crisis. Early in the nineteenth century, while its inhabitants were vacillating between the mining of failing deposits and agriculture, many parts of the province were practically in ruins. Apathy and abandonment of all effort were all but universal.<sup>1</sup> In time, however, it was seen that cotton, coffee, tobacco, and other products of the soil promised a better and more solid yield than had the mines at their best. With this turn of the tide population began to grow with great rapidity again, and export and coast trade took on new life.<sup>2</sup> The opening up of the interior had followed the development of the mines and had not ceased with their virtual abandonment. King José I. and Pombal had always had the interests of Brazil at heart and the latter benevolent despot had formed in 1755 a commercial company for Maranhão and Pará which had aided much in the exploration and colonization of these regions.<sup>3</sup> Pombal likewise curbed the power of religious establishments other than those of the Jesuits, and rendered life in Brazil more endurable for the Jews.<sup>4</sup> By 1800 Brazil had a population of 3,200,000, half negro-slaves; in 1817-1818, 3,817,900 without counting children under ten years of age. Of these about 1,000,000 were whites, 260,000 civilized Indians, 526,000 mulattos or free negroes, and 1,930,000 slaves. In 1800 Brazilian exports and imports amounted to over \$11,000,000 and \$10,000,000 respectively.<sup>5</sup>

The advance of the Portuguese toward the interior in consequence of the discovery of gold and diamonds revived the old contentions whose settlement was the object of the treaty of

<sup>1</sup> Martins, *O Brazil*, etc., 86-89.

<sup>2</sup> Martins, *O Brazil*, etc., 168-170.

<sup>3</sup> Watson, II, 238-239; Rio-Branco, 146.

<sup>4</sup> Watson, II, 242-243. Official corruption was, however, rife. The desire to get rich quickly invaded the minds of the colonial appointees as it had in India. The population was still raw and illiterate. Zimmermann, I, 173 ff.

<sup>5</sup> Rio-Branco, 149-152; cf. Watson, II, 268; Martins, *O Brazil*, etc., 68-69.

Tordesillas. The Demarcation Line had been respected neither by the Portuguese in Brazil nor the Spanish in the East Indies. Spain had kept the Philippines and exacted an indemnity or purchase-price for the Moluccas. Admitting these facts as evidence of a western shift of the Pacific demarcation meridian, Portugal could claim a good part of Patagonia, Paraguay, and the Plata region. But by a treaty of 1750, a division which rested upon the principle of the maintenance of present holdings, boundaries essentially the same as those of to-day were established. Unrealizable pretensions based upon the famous papal bull were thus abandoned; the temper of 1493 had long passed. Portugal renounced any rights to the navigation of the Plata, and all trade between the two nations was forbidden.<sup>1</sup>

In order now to understand the impelling forces of that movement which made of Brazil an independent state, it is necessary to recall the fact that a certain part of the country lay within a temperate region, and as a result of vital and other conditions was fitted to work out the line of development natural to such environment. This favored district was the south. From early times its population had been superior in quantity and quality to that of the tropical regions, and the fact that the mines lay within it lent it a still greater attractive power. "Mountains, rivers, mines, men, geography and human choice coincided to give to the region of São Paulo-Minas the supremacy over all Portuguese America."<sup>2</sup> This district was at first neglected as especially unpromising according to the ideas of the time. It came however to a position of leadership in all Brazilian history: in the exploration of the interior, in Indian wars and slave raids, in mine discovery, in the beating off of attacks from without. The Paulistas were the most energetic, stubborn and independent component of the population of the colony. As contrasted with the north, the progress of the south was less speedy but more solid. While in the north attention turned to an exotic culture dependent upon an imported labor supply, the south exhibited a system approaching that of

<sup>1</sup> Watson, II, 144; 218; 220; cf. 212.

<sup>2</sup> Martins, *O Brazil*, etc., 125; cf. Stephens, 163 ff.

"free colonization." The north still formed a Portuguese "plantation," while the south had acquired many of the rudiments of a developing nation. This supremacy was recognized by the transference of the capital in the middle of the eighteenth century from Bahia to Rio de Janeiro.<sup>1</sup>

The temper of this region was never tractable. It was quarrelsome rather, violent and revolutionary, particularly after the infusion of the miner element. When the eighteenth century was drawing to a close, the ground was already prepared for almost any degree of political assertion. The principles of the French Revolution and the example of the American united to render the Brazilians more uneasy. Indeed a revolution broke out in Minas Geraes in 1789, which witnessed in some degree to the receptivity of the Paulistas for the doctrines of the French philosophers. It was repressed with needless severity.<sup>2</sup> Now it was precisely during this disturbed period that the great European struggles impinged indirectly upon the local situation, and with a result unique in the history of colonization. For, in consequence of Napoleon's activities in the Peninsula, the Crown of Portugal itself was forced to emigrate into its great transatlantic possession, thus completely perturbing the antecedent status of affairs. Socially, a veritable experiment in the admixture of oil and water ensued. The Portuguese "mandarinate" was brought into close proximity to the Paulista type, rude and democratic. There was likewise an inversion, as it were, of political relationship between Portugal

<sup>1</sup> Martins, *O Brazil*, etc., 31-32; 46-48; 75-77 "The Brazilian nation evolved in colonial fashion (*colonialmente*) in the north, but organically and spontaneously in the south. Semi-independent, the region of S. Paulo-Minas with the great bay of Rio-Janeiro, the national capital of a future empire, was working out in obscurity an organic structure; while the Brazil of officialdom, of brilliance and opulence, the Brazil of the viceroys and governors, was seated in the north, in Bahia and Pernambuco. That Brazil, however, was not geographically the center of the empire. Its climate seemed to condemn it to the eternal condition of a colony dependent upon an exotic culture and upon African slavery, or to the unhappy lot of a Jesuit Paraguay." Martins, *O Brazil*, etc. 76; cf. 31-32; 46-48; 75-77; 90. For the general status of Brazil at the end of the eighteenth century, see Varnhagen, II, 236 ff.

<sup>2</sup> Martins, *O Brazil*, etc., 101-104; Rio-Branco, 151; cf. Varnhagen, II, 269 ff.



and Brazil, whereby the latter became the metropolis and the former the dependency.<sup>1</sup> Rio Janeiro constituted, to all practical intents, the capital of the Portuguese empire. Results of great significance could not fail to follow upon this situation.

The royal family of the Braganzas arrived in Brazil early in 1808, thus realizing a transference of the court projected by João IV. in the seventeenth century, by Da Cunha in 1736, and Pombal in 1761. The country at once, and by the logic of the situation, became an independent empire. The King hastened to issue a series of decrees assuring to Brazil such industrial and other advantages as the metropolis had possessed. Agriculture, manufacture, and commerce were put on their feet and encouraged, foreigners freely admitted, departments, courts, and councils established, roads built and exploration furthered, schools, libraries, and scientific projects supported. In 1815 Brazil was accorded the title of Realm. For seven years the country was administered directly by local officials under a local sovereign. This event was extremely opportune, for it had the merit of placing in evidence and politically sanctioning an inevitable and imminent change of Brazil's status.<sup>2</sup> It also had a more lasting effect in binding the various Brazilian provinces together, both politically and economically (through the construction of roads and other means of inter-communication), as the Spanish South American colonies, for example, were never united.<sup>3</sup> And when the King, against his will, was forced by the insistence of England to return to Lisbon, he left his oldest son, Dom Pedro, behind as Regent of the Realm.

For all the benefits of the royal sojourn, however, the Brazilians were glad to see it end. The European court was an exotic plant in the rude new country, and the ways of the aristocracy palled upon the hardy settlers of the Paulista type. There was nothing in common between the two. When now

<sup>1</sup> Martins, *O Brazil, etc.*, 94; Leroy-Beaulieu, I, 56-57; Varnhagen, II, 297 ff.; Zimmermann, I, 411.

<sup>2</sup> Martins, *O Brazil, etc.*, 94. For the emigration of the Braganzas, see also pp. 90 ff.; Rio-Branco, 154-155; Watson, II, 263 ff. Leroy-Beaulieu, I, 56-57; general sketch of the period in Zimmermann, I, 175 ff.

<sup>3</sup> Watson, II, 260; 270.

the Lisbon Cortes opposed the royal policy, voted the suppression of schools and higher courts, ordered the dissolution of the central government in Rio and the recall of Dom Pedro, and tried to break Brazilian unity by attaching each province separately to the metropolis, an almost universal movement in favor of Brazilian autonomy set in. Dom Pedro, in response to overtures on the part of the people of Rio and São-Paulo, declared (January, 1822) that he would remain in the country. The Portuguese troops who opposed the resolution were allowed to depart for Portugal, and the prince, after proclaiming the independence of Brazil (Sept. 7, 1822), was acclaimed first perpetual protector, then constitutional emperor (Oct 12). It was impossible for the metropolis to resist this culmination, for it had "a smaller population and perhaps less wealth than its colony. It resigned itself cheerfully to an inevitable fact,"<sup>1</sup> and Brazilian independence was recognized in 1825.<sup>2</sup>

The achievements of the Portuguese in Brazil deserve a word of notice in perspective, and by way of comparison with those of other peoples operating under similar conditions. The case is well put by Leroy-Beaulieu: "The end of the eighteenth century and the beginning of the nineteenth brought to Brazil none of those calamities which broke over the English and Spanish possessions. Portugal followed in all the European conflicts the destiny of England, the mistress of the seas, from which it resulted that free circulation between the metropolis and the colonies was never interrupted: Brazil was in a position to gain rather than to lose during the maritime wars of the Europeans, for these smote the sugar islands of her rivals while leaving her intact. If the separation of Brazil and Portugal came to pass without violence and almost without shock, this must not be regarded as a fortuitous circumstance. It was not alone the diminutiveness and powerlessness of the metropolis which rendered the transition so easy; the colony was ready for independence, and, when it had detached itself from its trunk like a ripe fruit, it did not cease to grow and prosper.

<sup>1</sup>Leroy-Beaulieu, I, 57; figures for the decline of Portugal's commerce in Martins, *O Brazil*, etc., 249.

<sup>2</sup>Rio-Branco, 163-164; for the activities of José Bonifácio and the character of Dom Pedro, see Martins, *O Brazil*, etc., 107; 111-116.

The fact is that the Portuguese administration in Brazil, despite its errors and faults . . . had not been very oppressive; liberty had been the cradle of colonization. The abundance of fertile lands, the absence of exaggerated regulation, the feebleness of the *main morte*, had allowed the colony, in spite of certain restrictions and monopolies, to reach conditions which were normal and appropriate to an adult age."<sup>1</sup> Brazil was likewise saved from the Inquisition, the Santo Officio, "from that *Status in Statu* whose dictation, superior to all law, diminished the majesty of the king, the power of the government, the justice of the courts, the ecclesiastical authority of the prelates, and the liberty of the people—liberty not only to discuss but even as it were to think. No special inquisition was ever created in Brazil."<sup>2</sup>

"The relations of Portugal with Brazil are, besides, much more familiar, more intimate, more frequent, than those of Spain with her former colonies in America. This has been seen by the number of Portuguese who (still) emigrate to Brazil. Several years ago the trade with Brazil represented about one-sixth of the export and one-seventeenth of the import movement of the total trade of Portugal. . . . In the Indies a jealous, narrow, and ambitious policy lost no time in ruining the edifice of Portuguese power: in Africa, a disgraceful and degrading trade afforded Portugal a debasing wealth: in Brazil alone the Portuguese demonstrated themselves colonists. They managed to blend the spirit of adventure in a just degree with practical patience and laborious perseverance, and they thus succeeded in realizing one of the aims, if it is not the sole object, of colonization, the creation of a great State, rich, industrious, and free."<sup>3</sup>

These statements may serve to bring out the special achievements of the Portuguese in America as distinguished both from those of other nations in the New World and from those of the same nation in the Old. It is probable that Leroy-Beaulieu, in his partisanship for the Latin nations and his solicitude

<sup>1</sup> Leroy-Beaulieu, I, 56. It should be realized that Brazil is about ninety times the size of Portugal. Cf. Watson, II, 113.

<sup>2</sup> Varnhagen, I, 88.

<sup>3</sup> Leroy-Beaulieu, I, 58, 59.

for their future and the persistence of what is distinctive in their culture, somewhat exaggerates the favorable case of Brazil. But it is clear enough, nevertheless, that, partly because the colony furnished a favorable environment, partly because it was let alone, partly because it was treated with less incompetence than ordinarily, partly for a number of lesser reasons, Brazil has become an independent nation whose kindly feeling for the metropolis, unbroken by bloody revolutionary struggles, is an international asset; for it adds much to the importance of an otherwise insignificant parent state. Continuous infusions of Portuguese blood, due to an immigration motivated not by governmental but popular initiative, have gradually overcome the native strain of what was a largely mongrel population, and a fortunate reversion toward the more developed ethnic component, with its happier adaptation to modern conditions, has ensued. The contrast with the outcome in the Portuguese East is sharp. In Brazil there has arisen a new and powerful sponsor for that in language, religion, customs, and literature which is Portuguese. To a certain degree a nation and its life have been transplanted, and a new society, inheriting its distinctive characters from an old, has come into a relative fullness of strength.

ALBERT G. KELLER.

Yale University.

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## NOTE

**British Legislation in 1905.** The session of the British Parliament which opened on the 14th of February, 1905, and came to an end on the 11th of August, was the final session of the House of Commons which was elected in October, 1900, during the war in South Africa. The session was remarkably barren of legislation. Of the twenty-three public Acts which were placed on the statute book in 1905, hardly one can be regarded as of first-class importance, and the greater part of the time of Parliament was occupied either with bills which had afterwards to be dropped, such as the Trade Union and Trade Disputes Bill, the Scotch Education Bill and the Bill for the Regulation of the Sunday Sale of Intoxicating Liquors; with discussions of the conduct of the South African War growing out of the exposures of the Departmental Committee concerning the sale of surplus war stores; or with attempts to censure the Government and bring an early dissolution.

The Government majority on the Address to the Crown at the opening of the session was 60, which, however, was scarcely two-thirds of the actual majority then supporting Balfour. In 1900, after the General Election, the parties in the House of Commons stood thus: Conservatives and Unionists, 402; Liberals and Labour men, 186; Irish Nationalists, 82: giving the Conservative Government a majority of 134. This majority had been reduced before the opening of the last session to about 90, the reduction being due to the by-elections which had gone against the Government, and to party defections consequent upon Chamberlain's enunciation of his new fiscal policy in May, 1903.

In spite of the large majority still supporting the Government the session was characterized throughout by discontent and demoralization in the Government forces, and it was with great difficulty that the Conservative party whips secured anything like regular attendance on the part of their supporters. This demoralization was particularly obvious in the debate on the fiscal question on March 28th, when the Government forces, rather than face the question, left the House *en masse*, and a resolution was passed in their absence, *nemine contradicente*, that "in view of the declarations made by the Prime Minister, this House thinks it necessary to record its condemnation of his policy of fiscal retaliation." A



strenuous demand was made by the Opposition for the resignation of a Government which had not dared to face the possibility of a defeat; but Mr. Balfour simply replied that so long as he had the support of a majority in the House of Commons, he would continue to be the Prime Minister. On two subsequent occasions during the session, the Government adopted the same tactics of absence during an embarrassing debate, and resolutions were similarly carried by the Opposition. While avoiding direct defeat this policy greatly contributed to the demoralization of the House, a demoralization which culminated on May 22d in so disorderly a scene as to compel the Speaker to suspend the sitting.

Of the twenty-three Acts passed during the session, seventeen were of a routine character, dealing with finance, the army and navy, the continuance of expiring Acts, or making minor amendments to existing Acts. Of the remaining six, one was an Act pensioning Mr. Gully, who retired from the Speakership on the 6th of June, and went up to the House of Lords as Viscount Selby; another was an Act creating a Commission to enquire into the War Stores Scandals, and a third provided a remedy for farmers in case of injury to their crops by fires caused by railway trains.

Only three Acts remain which are worthy of any detailed attention. These are the Aliens Act; the Unemployed Workmen Act, and the Scottish Churches Act.

The Aliens Act is the first attempt that has been made in England to restrict the immigration of aliens. The demand for the bill arose through the tendency of foreign immigrants—especially Russian and Polish Jews—to concentrate in two or three of the larger cities, notably London and Manchester. Their presence caused a great congestion of population in certain areas, and gave rise to complaints from the British working classes that they were crowded out, both as regards house accommodation and as regards employment in certain trades. The Act is modelled on the American immigration laws. It enacts that immigrants shall be landed only at ports at which are stationed immigration officers, who, in company with a medical officer, shall pass on the desirability or undesirability of each immigrant. In every case where an immigrant is refused a landing, the master, owner, or agent of the ship on which he came and the immigrant objected to shall have a right of appeal to the port board of immigration. This board is to consist of "three persons, summoned in accordance with rules made by the Secretary of State under the Act, out of a

list approved by him for the port comprising fit persons having magisterial, business, or administrative experience."

An immigrant is undesirable under the Act, if "he cannot show that he has in his possession, or is in a position to obtain, the means of decently supporting himself and his dependents (if any); if he is a lunatic or an idiot, or owing to any disease or infirmity appears likely to become a charge upon the rates, or otherwise a detriment to the public; or if he has been sentenced in a foreign country, with which there is an extradition treaty, for a crime, not being an offence of a political character, which is, as respects that country, an extradition crime."

A strong stand was made for the preservation of England's traditional character as a refuge for all fugitives from political or religious persecution, and to this end a clause was added providing that "in the case of an immigrant who proves that he is seeking admission to this country solely to avoid prosecution or punishment on religious or political grounds, or for an offence of a political character; or persecution, involving danger of imprisonment, or danger to life or limb, on account of religious belief, leave to land shall not be refused on the ground merely of want of means, or the probability of his becoming a charge on the rates."

As in the American Immigration Acts, provision is made that undesirable aliens shall be returned to the country whence they came at the expense of the shipping company bringing them. It is, however, also provided that where an expulsion order is made in the case of any alien, the Secretary of State may, if he thinks fit, pay "the whole or any part of the expenses of, or incidental to, the departure from the United Kingdom and maintenance until expelled at any time within twelve months of his arrival, if he has been in receipt of poor relief; if he be found wandering without visible means of subsistence; or if he be found living in insanitary conditions due to overcrowding.

Offences against the Act on the part of shipmasters are punishable by fines not exceeding £100 for each offence; while the making of false statements on the part of either shipmaster or immigrant is punishable by imprisonment for not more than three months with hard labour.

The greatest difficulty in regard to the framing of the Aliens bill was encountered in the effort not to interfere with the large traffic done by English shipping companies in the conveyance of immigrants from the Continent of Europe, and their trans-shipment to America

and other countries. In 1904, the total arrivals of foreigners in the United Kingdom were 195,300, of whom 12,850 were seamen who left with their ships. During the same year, 173,856 foreigners left the United Kingdom for countries outside Europe—143,649 for the United States; so that there remained in Great Britain only 8,594 out of nearly 200,000. To avoid interfering with this business of the shipping companies, the Act provides that exception shall be made in favour of any passenger "who shows to the satisfaction of the immigration officer that he desires to land in the United Kingdom only for the purpose of proceeding within a reasonable time to some destination out of the United Kingdom." In the case of passengers holding through tickets to some such destination, the master or owner of the ship is required to give security that such passengers shall not remain in the United Kingdom, and that, in case of their rejection by some other country, they shall not be allowed to reënter the United Kingdom.

The second Act of the three which have been named as worthy of detailed attention is entitled "an Act to establish organization with a view to the provision of employment or assistance for unemployed workmen in proper cases." It was introduced in response to the strong demand that the Government should take some step to lessen the great amount of unemployment which existed through the year 1905. The Act, as it stands, is a compromise between the Socialist forces in the English Parliament and the individualists who still oppose the assumption of continually increasing powers and duties by government. The Act, as its title implies, provides only an organization, which is empowered to deal with funds, if funds be forthcoming voluntarily; but it does not provide funds by means of which employment may be given to men out of work. Its experimental nature is also emphasized in the last section which states that the Act "shall continue in force for three years from the date of passage and no longer, unless Parliament otherwise determine, and at the expiration of that period the Local Government Board shall make such orders as they think necessary for dissolving the central bodies and distress committees established under this Act and transferring their property and liabilities."

The organization established by the Act consists of distress committees of every borough council of the London boroughs and all boroughs outside London having 50,000 inhabitants or over. For places with populations under 50,000, the establishment of distress committees is permissive instead of mandatory. The distress

committees are to consist partly of members of the borough council, and partly of members of the boards of guardians of the poor law unions; while for London there is also established a central committee partly chosen out of themselves by the distress committees and partly of members similarly chosen out of the London County Council. The members so chosen to the central body may also coöpt additional members, and the Local Government Board may also nominate members, provided that the coöpted and nominated members do not exceed one-fourth of the total number of the central committee. It is provided in the Act that at least one member of every committee under the Act shall be a woman.

The duties of the distress committees are to make themselves acquainted with labour conditions in their area and to discriminate between persons genuinely unemployed and persons of the pauper class. For the genuinely unemployed, the committees may endeavour to find work; but the Act expressly provides that "the distress committees shall have no power to provide or contribute towards the provision of work for any unemployed person." This limitation of the scope of the Act was bitterly opposed by the labour element in Parliament. Even with its defects, however, it was accepted as an installment towards the solution of the unemployed question. Its second reading in the House of Commons was passed by 228 votes to 11; and its third reading was passed without a division.

The churches (Scotland) Act is the outcome of the House of Lords decision in the suit brought by the small remnant of the Free Church, which in 1900 refused to go into the union with the United Presbyterians. It is not possible here to give more than the briefest outline of the trouble. When the Free Church was formed after Disruption in 1843, its ministers held that although they had left the State Church on the question of the right to appoint to livings, they approved the principle of Establishment. The United Presbyterians, on the other hand, had always held that the Church ought to be free from the State. The question was purely academic, and, as years passed, it lost its interest for the Free Church. Union with the United Presbyterians was repeatedly proposed, and when it was consummated in 1900, the United Free Church adopted the United Presbyterian position as regards the Church and the State. A small remnant, numbering some twenty-seven ministers and their congregations, mostly from remote villages in the Highlands, which refused to accept the Union, sued the new United Free Church for the posses-



sion of all the Free Church Property, holding that they and they alone represented the old Free Church. All the Scotch courts gave judgment against them; but in the House of Lords the question was decided in their favour, and this small remnant became the Legal Free Church, entitled by this decision to the control of the immense trust property belonging to the Free Church. As it was plain that the Legal Frees could not administer the trusts, a Royal Commission was appointed to enquire into the subject and decide upon some equitable division of the Church property; and the Act of 1905 was passed to give effect to the findings of the Commission.

The Act creates a Commission of five members to deal with the Church property, and suspends all litigation between the Frees and the United Frees for the possession of any portion of the property. It also inhibits the courts from reviewing or interfering with the orders and proceedings of the Commission, all expenses of which are to be defrayed out of the Church property. The property to be allocated by the Commissioners is defined by the Act, as all property which was held for any purpose by the Free Church on the 30th of October, 1900; and all legacies or bequests accruing to the Free Church between that date and August 11th, 1905, under wills made previous to October, 1900. In making the allocation of property, the Commissioners are directed to admit the right of the Legal Frees under the House of Lords decision, wherever the Legal Frees constitute at least one-third of the original congregation; and special provision is to be made out of the funds of the old church, set aside for such purposes, for the education of the Legal Free Church students; and for the support of aged and infirm ministers, and of widows and orphans of ministers of that Church, the remnant of the funds only to go to the United Free Church.

A clause was introduced into the Act at the demand of the Established Presbyterian Church of Scotland, giving power to the General Assembly of that Church to vary its formula of subscription to the Confession of Faith required from ministers and preachers. This clause was opposed by the United Frees, as being irrelevant to the Act and likely to endanger its passage. The opposition was ineffective and the Act, as it stands, besides being an installment of justice for the United Free Church, is a charter of emancipation to the Established Presbyterian Church of Scotland.

A. G. PORRITT.

Hartford, Conn



## BOOK REVIEWS.

*Government Regulation of Railway Rates.* A Study of the Experience of the United States, Germany, France, Austria-Hungary, Russia and Australia. By Hugo Richard Meyer, Assistant Professor of Political Economy in the University of Chicago. New York: The Macmillan Company; London: Macmillan and Company, Ltd., 1905—pp. 486.

Although the purpose of this book is to prove "the unwisdom of government regulation of railway rates," no one should grant its appearance a more hearty welcome than those who advocate increased regulation. This is especially true if such an advocate be a student of economics, for it is refreshing, after twenty-five years of economic sentimentalism, on the one hand, and of economic hair-splitting, on the other, to hear a man speak who is not ashamed to shake hands openly with Adam Smith and John Stuart Mill. That the author who has done this should have failed to show the scholarship, the impersonality of analysis, and the sanity of judgment of these great economists, is to be regretted.

Whatever else may be said of this book, its author has succeeded in making a correct as well as a concise and forceful statement of the question at issue. The problem, he says, is threefold. "It involves: First, the question of personal discriminations by means of secret departures from the published rates; secondly, the question of the reasonableness of rates *per se*; and lastly, the question of the relative reasonableness of rates." The first and the second of these questions are dismissed with "a few brief statements," and discussion is centered upon the third. For this, too, the advocates of governmental regulation should be duly thankful, since it enables them to meet their opponents at the point where argument will be most effective. If this statement of our author holds, the claim that rebates have disappeared (whether true or false) need no longer embarrass, for the gist of the controversy is shown to lie in the relative reasonableness of specific rates in published tariffs, and not in the criminal departure from such tariffs; nor is the claim that the basal rate in this country is lower than in other countries (whether true or false) of very much significance, for the question involved in a high or a low average or normal rate is not a question of comparison between countries, but a question of the proper adjustment of railway charges to domestic conditions in the respec-

tive countries. But other and more important results are bound up in this statement of the problem. If it holds, the Supreme Court can no longer insist that a rate condemned as unreasonable is not unreasonable because it can not be proven to be unreasonable *per se*; if it holds, the incompetency of the Foraker bill and of the Grosscup plan becomes apparent (for what right has a court to invade the domain of administrative discretion?); if it holds, the inadequacy of the Hepburn bill and of the Dolliver bill, both of which limit the public supervision over rates to the determination of the "maximum rate," will at least come to be understood; if it holds, even the Esch-Townsend bill will disclose a weakness in that it failed to make formal provision for the administrative determination of a ratio between specific rates.

After having set aside the question of personal discriminations and of rates unreasonable *per se* as questions relatively unimportant, our author explains more fully what he means by saying that the railway problem centers in the relative reasonableness of specific charges. He says:

"Let us turn, then, to our subject proper,—the question whether the Government should exercise the power to prescribe railway rates for the purpose of guaranteeing the relative reasonableness of the rates made by the railways leading from rival producing and distributing centers to common markets and to rival markets."

My reason for liking this statement is that it frankly admits the problem of railway tariffs to be one of market adjustment, and, in so doing, opens the door to many considerations that might otherwise be excluded. A few illustrations may not be out of place. Whether a schedule of railway tariffs be wise or unwise, may now be judged in view of the influence it exerts upon the number, the size, and the location of manufacturing and jobbing centers. This means that all social arguments that spring from a consideration of the distribution of population are pertinent to the discussion of railway administration. Concentration or diffusion of wealth and industrial power is but an expression of the concentration or diffusion of population and industry, and political philosophy is thus invited, by the statement of the railway problem submitted by our author, to contribute its ideals of a healthful and enduring democracy to the discussion of railway rates. Nor can the financing of railway properties, whether regarded from the point of view of public or of private finance, any longer be excluded from the arena of discussion.

The practical as well as the logical significance of this statement of the question, also, is far-reaching. As long as the interpretation of the railway problem confined controversies to questions of personal discriminations and common law complaints, it was possible for lawyers to obtain decisions from the courts by means of which legislative enactments, designed to secure a uniform, equitable, and just development of industrial opportunities throughout the country, were easily rendered abortive; but the interpretation of the problem here contended for, opens the door to administrative considerations upon which it is not competent for a court to enter. It acknowledges the question of railway rates to be a question of public policy, and, provided no vested right is invaded, the questions in controversy are not, and cannot become, judicial questions. This book is destined either to make no impression upon the public mind or to mark a step in advance in the discussion of the railway problem. It is the first strong and uncompromising statement of the problem from which such considerations as the above may be drawn.

Wherein, then, lies the error of this book, for error there must be, unless all the governments of the world are in error in their treatment of the business of transportation. This error lies, if I am right, in the tests which the author accepts for judging the results of governmental supervision. He defines the problem of railway rates in such a manner that the public character of the railway industry is forced upon the attention of the reader, while his tests of sound railway administration are such as pertain primarily to a privately conducted business. For example, he accepts the volume of traffic as a sufficient test of an efficient traffic manager. This may perhaps be a satisfactory test for a board of railway directors; suppose, however, that in order to obtain the largest possible volume of traffic, rates are adjusted in such a manner as to result in superfluous and unnecessary transportation. Can the State, interested as it must be in the welfare of the country as a whole, accept such a test? The glory of a privately managed railway is the flexibility of its tariffs; when, however, one weighs the importance of stable conditions as an essential element in the healthful development of trade and industry, is it proper to assume, without argument, that the interest of the railway in this regard is necessarily coincident with the enduring interests of the State? It is, at least, an open question whether railway tariffs should adjust themselves to commerce and industry or commerce and industry to railway tariffs. The pride of the American railway management is the average

length of haul on American railways,—242 miles in this country as compared with 71 miles in Prussia. Is it absolutely certain that the concentration of industry and the wide diffusion of the product is in all respects to be preferred to the diffusion of industry and the concentration of the railway haul? The low average or basal rate on American railways is also urged as a proof of the superiority of American railways when compared with foreign railways. Passing over the question of fact, with the suggestion that so simple a statement of the comparison is wholly misleading, can one admit without argument the assumption that a low basal rate is a final test of good management? A moment's consideration suggests that this low basal rate may result from the adjustment of general tariffs to the cost of transportation upon the best lines without regard to the effect of such an adjustment on the interests of outlying districts. It is certainly a question worthy the consideration of a student of transportation, whether or not an abnormally low basal rate will not eventually result in the obstruction of the industrial development of those districts which are so unfortunate as to be served by second-class roads. If the uniform development of the nation as an industrial unit, and a high standard of welfare for all classes and communities, be the aim of railway administration, there comes a point sooner or later when further reduction of basal rates hinders rather than helps the realization of national ideals.

I do not refer to these questions, which are fundamental in a scholarly analysis of the problem of transportation, for the purpose of expressing an opinion upon them, but solely as a means of suggesting the limitation of the book under review. Dr. Meyer has assumed without discussion a position upon all of these controverted points, and subjects what he claims to be the normal result of governmental supervision over rates to the test of his assumptions. This fact vitiates his entire treatise. The book adds nothing to the theory of transportation. Its only service is in its statement of the problem.

It would be interesting to follow the arguments of the book in detail and to point out the errors of economic analysis and misrepresentations of foreign conditions, but from this I am precluded by the fact that the review has already exceeded the allotted space. Of the former, the analysis on page 293 will serve as an illustration; of the latter, the author's use of the milk situation in Berlin, page 387, is ample proof. In this milk case, Dr. Meyer could not have studied his material, for the reference he cites, fully read, contradicts his

implication. And what shall be said of a writer who asserts that the railway manager of Continental Europe is a man who "sits in his office and orders his subordinates to run trains back and forth." Of course, in an inter-collegiate debate, such a gibe may be allowed to pass; but in a serious discussion of a problem that touches the interests of millions of people, it is evidence either of ignorance or of wilful misrepresentation. It is, however, typical of the attitude of mind that characterizes this book from cover to cover.

University of Michigan.

HENRY C. ADAMS.

*The Bank and the Treasury.* By Frederick A. Cleveland, Ph.D.,  
New York: Longmans, Green & Co., 1905—pp. xiv, 326.

Four principal theses stand out as the frame-work of the author's argument, in this book. These are, first, his condemnation of the use of commercial banks for the flotation of industrial and financial loans; second, his claim that the expansion of credit has gone beyond a due ratio to the banking capital; third, that paid-up capital should be a source of reserves for deposits; and, fourth, that the American system, as he calls it, whereby credit money is supplied by the government, and credit currency, in the shape of deposits, by the banks, is defensible not only because of its inherent advantages, but because it is an evolution from American conditions and, therefore, best adapted to American needs. This claim involves a defense of the Independent Treasury system as a means of security to the government and a source of aid to the banks.

Few thoughtful observers of banking in this country in the past half dozen years will disagree with the author in his belief that there has been an undue expansion of bank credit, due to the flotation of industrial and financial securities by commercial banks. Nor can one dissent from his condemnation of this practice. His suggested remedy, however, is hardly a logical inference from the evil that he criticises. He proposes that capital be increased to equal the maximum demand for money by depositors, at any time; that part of it be held in the form of money, and the rest invested in "gilt-edge" securities, the whole amount to constitute the reserve against deposits. These securities would represent the amount of money not needed to meet the ordinary demands of depositors. They would be sold as the demand for money increased, and repurchased as the pressure for money lessened. This, of course, is the present practice of banks. The point of difference between Mr. Cleveland's



proposal and the present practice is that he would make paid-up capital the means of purchase of these bonds, instead of permitting the banks to invest part of their deposits in securities. He thinks that the latter practice is dangerous. His proposal is in reality a demand that the banks shall, in a degree, cease from banking and become investment companies. It is difficult to see what objection there can be to the investment of money left by depositors in securities that are readily saleable; or to see why securities thus bought are not as good a recourse as securities bought out of capital. The author would have the reserve not a reserve in the ordinary banking sense, but a kind of warehouse fund large enough to pay deposits in cash. But what bank customers want is a means of settlement of debts. It is not true that the necessities of business cannot be as well served, in time of stress, by what Mr. Cleveland calls means of settlement, or exchange of credit, as by payment in actual cash.

By the "American system" of currency and banking, the author means that the Treasury is the agent for issuing money and that the banks are agents for issuing credit currency. He thinks this arrangement advantageous because it is an evolution from American conditions. It is true that, in a sense, our present system is what the author calls an evolution. But the historical sketch of American banking, given by the author, is open to serious criticism, because it interprets the facts of history in the light of his preconceived theory. Even if we admit that our system is an evolution from American conditions, these conditions were largely political, and not economic. The author's interpretation of the history of our banking is strained, if not somewhat perverted, and he is carried away by his biological metaphor.

In truth, the assumption of the redemption function, which constitutes the essence of the issue of paper money by the government, has made it unnecessary and difficult for bankers to furnish money for circulation, and has doubtless stimulated the use of credit deposits. Hence, if there is danger from the over-development of credit, it has been partly created by the system the author approves and is of a kind against which government issue of money cannot provide, because they do not accommodate themselves to currency needs.

In his discussion of elasticity, the author asserts that those who demand an issue of bank notes, in times of pressure, are in error. He says that the kind of elasticity needed is elasticity of deposits.

He tells us that note issue "is what the American people have been drifting away from since 1837 and what they completely abandoned forty years ago." The truth is that we have been forced by our political system of banking to do without adequate currency; not that we have adopted the system because we did not want the currency. The whole agitation for money in the west, a decade ago, proves this. The author fails to distinguish between the kind of currency needed by the country districts and that needed by commercial centers. Country banks do need elasticity in the issue of notes, at certain times of the year at any rate, far more than elasticity of deposits.

The book approves our Independent Treasury system on the ground that it furnishes a reserve of money in times of stringency. The instances of its operation on which the author bases this favorable opinion of the independent Treasury are all of a character favorable to his conclusion. If he had gone back a few years, or if his book had been written after the experience of the past three months, he would have found that the conditions tell a different story. He overlooks the fact that no direct connection exists between Treasury receipts and disbursement, on the one hand, and business requirements for cash, on the other. The Treasury is able to relieve money stringencies not because it is independent of the banks, but because we follow a policy of surplus financiering.

Dr. Cleveland is right in criticising so severely the practice of commercial banks of tying up their funds in industrial and financial securities and their connection with stock speculations; and also in his assertion that banking capital is not so large as the legitimate credit expansion of the country demands. The remedies, however, are not those he proposes. The evil is to be cured not by enlarging capital and making more such loans possible, but by better banking. Commercial banks should be forbidden to make such investments. The stability of our credit system, moreover, would be greatly enhanced, as Dr. Cleveland correctly claims, by forbidding the counting of deposits of country banks in reserve cities as reserves both for the depositing bank and the reserve bank.

The book is written, in considerable measure, from the point of view of an accountant. In character it is a plea, not an investigation; an exposition and defense of "a point of view." It is unfortunate, moreover, that the author did not confine himself to ordinary banking terminology; he has thought it necessary, throughout his book, to put in parentheses what are meant as interpreta-

tions of ordinary banking terms. While this may be helpful to an elementary student, or to a reader little acquainted with the subject, it is confusing, and at times beclouds the points he is trying to make.

It would be unfair not to mention some of the good features of the book. The author points to serious evils when he decries the relative smallness of banking capital, the evil of industrial loans, and the great volume of call loans. The author also makes some excellent proposals concerning the form of bank reports. He joins other critics in the good work of demanding a cessation of the practice of counting country deposits as double reserve, and gives as clear an exposition as we have seen, in brief form, of the difference between what he calls the "schools" of banking reform, represented respectively by Mr. Eckels and Mr. Dawes, although his criticisms of the former's views are in some respects hardly fair.

DAVID KINLEY.

University of Illinois.

*The Lancashire Cotton Industry, a Study in Economic Development.*

By Sidney J. Chapman, M.A., Stanley Jevons Professor of Political Economy, and Dean of the Faculty of Commerce in the University of Manchester. Manchester: At the University Press, 1904—8vo, pp. vii, 309.

Professor Chapman's book is the "first fruits" of the newly established Faculty of Commerce in the University of Manchester and, as such, is appropriately devoted to a study of the economic development of that great industry of which Manchester is the centre.

Although there have not been lacking many excellent accounts of this, the earliest of the machine industries, from the time of Richard Guest to that of Schulze-Gaevernitz, Professor Chapman has, nevertheless, succeeded in finding a field of inquiry which has not been adequately cultivated by previous writers, and he has exploited it in such a way as to deserve the gratitude of both the economist and the business man. Wisely omitting many of the details furnished by other writers concerning the origin of the cotton manufacture and the incidents in its historical development, he has provided us with a study of the internal organization of the industry and pointed out the factors in this organization which have contributed to its productive efficiency. His study of organization has not been limited to the part played by the capitalistic *entrepreneur*, but includes, likewise, the organization of the market for supplying the

raw materials and disposing of the finished product; the part played by labor unions in their efforts to secure for their members a share in the gains due to progress; the conditions which have determined the localization and specialization of the various branches of the manufacture, and the influence which government has had on production through its series of factory acts.

Commercial development in the early days preceded and largely guided the development of the industrial organization. Thus it was the Manchester merchant who was, in the days before machinery, the most important personage in the cotton industry, as he it was who carried the manufacture through all the various stages, supplying each worker, whether spinner, weaver, or dyer, with his materials after they had passed through the earlier processes of production. Later he financed and directed the course of the machine production, for the first factory managers, so far from being independent capitalists, were only "organizers" and were themselves without the means of conducting the business.

In later years it is the industrial development which seems to have shaped in large degree the commercial organization. Thus, the buying broker who purchases cotton on commission for the manufacturer has arisen to take the place of the old cotton dealer who was an independent merchant working for profits. Contrary to the opinion usually held, that the increase in the size of the business leads inevitably to a greater specialization within the industry, the author shows that this is not true of the trade in cotton or of cotton goods. The number of intermediaries between the producers of the raw cotton and the manufacturers was in the early part of the nineteenth century much greater than at present, and in the cloth trade huge manufacturing firms which have arranged for the selling of their own goods, have, in some instances, driven the dealer entirely from the field.

The chapter on "Modern Organization" is perhaps the most interesting and valuable of the book. The author treats here of the forces which have brought about the localization of the industry, not only as a whole, but of the various branches in the particular localities. In one instance it is the damp breezes from the Atlantic which furnish just the degree of humidity needed for the spinning; in another, the proximity of the coal, and in still another, the success of subsidiary industries; while even the proportion of males and females of certain ages seems to have had its effect in the establishment of certain branches of the industry in certain cities.

The effect of the trade-unions in shaping the development of the industry is most remarkable. Almost everywhere these organizations of workingmen have abandoned the earlier idealistic notions which they held in the days of Owen and the Chartists, and have adapted their methods to the local environment. Violence is seldom resorted to; great stress is laid upon the minimum or standard wage even in the case of those firms which are doing a losing business, on the principle that these firms "should cease to exist rather than the operatives should accept a reduction of wages and drag the whole trade down with them." From the standpoint of the economist, one of the most pleasing results of these efforts by trade-unionists is that the industrial arrangements which have been adopted cause the wages to correspond more and more to the efficiency of the worker.

The agency by which this result has been brought about is the piece-work system, but this method of paying wages, which has so often been made the means of unfair dealing on the part of the employer, is here made to perform its real service, since the strong labor unions have a very potent influence in the drawing up of the "lists." One of the results has been that the manufacturer who continues to use antiquated machinery is compelled to pay higher piece rates, and another, that the gains from improved machinery do not accrue entirely to the employer, but are shared by the men as well.

M. B. HAMMOND.

Ohio State University.

*Civics: Studies in American Citizenship.* By Waldo H. Sherman.  
New York: The Macmillan Co., 1905—8vo, viii, 328 pp. \$1.50.

It is to be regretted that this new book on civil government was not written in a better style with more literary form and flavor, as to the average reader it is bound to be dull. The importance of the subject is well known and popular ignorance of the subject is great, but if the average man is to be reached, something more than a plain matter-of-fact chronicle of facts, however important, is needed. John Fiske showed what can be done by a master of style in illuminating this subject.

The author apparently is a teacher in a business college, who has still before him the mastery of his subject and a fundamental knowledge of economic problems. The historical treatment of the subject is very largely avoided, and the book confines itself to



describing existing forms of government. An unusual amount of space is devoted to cities, because there population is concentrated and self-government more easily breaks down.

The first part of the book is like the average book on this subject. The second part, entitled "Practical Work--Collegeville," applies to secondary schools the imitative principle which in the lower schools has been worked out under the scheme of "The School City." The title which the author has chosen for his political club is a barbarous compound, which it is to be hoped will not persist in the language. The author has worked out his scheme in great detail, but one wonders whether with adults such a scheme for imparting knowledge is not wasteful of time. He does not seem to realize the full incidence of taxation. On page 83 he speaks as if owners of property were the only ones who pay taxes. Surely it is an accepted principle of economics that a tenant of a house, if he pays full rent, pays a part at least, if not the whole, of the tax on that property. Some of the graphical representations of the facts of civil government contained in this book are original, ingenious and helpful.

GEORGE L. FOX.

New Haven.

*History of the United States from the Compromise of 1850.* Vol. V.  
By James Ford Rhodes. New York and London: The Macmillan Company, 1904--pp. xi, 659.

This volume begins with Sherman's march to the sea, and ends with the Congressional election of 1866. The narrative is thus brought down through the closing scenes of the civil war and the early stages of reconstruction. So firmly established is Mr. Rhodes's reputation for impartiality and painstaking accuracy, that the reviewer can hardly serve his readers better than by placing before them some of the author's statements and conclusions.

An important and somewhat obscure phase of the great conflict was the trade carried on across the lines. Mr. Rhodes shows the extensiveness of this trade and its general effect. The impelling motives were desire for cotton at the North and for supplies at the South. General Halleck wrote to General Grant; "See that all possible facilities are afforded for getting out cotton. It is deemed important to get as much as we can into the market." The Confederates on their part obtained "Powder, arms, salt, quinine, morphia and other medicines, whiskey, food and clothing." Mem-

this in Federal hands was said to have been more useful to the Confederates than Nassau, and New Orleans to have been second only to Wilmington. Mr. Rhodes declares it quite possible "that the North received more cotton from the internal commerce than did Great Britain from the blockade runners," with corresponding advantage to the Confederate cause. The effect of this in prolonging the war must have been considerable though probably not measurable, or Mr. Rhodes would have given us some estimate of it.

A separate chapter is given to the treatment of prisoners. "In no part of the history of the civil war," he says, "is a wholesome skepticism more desirable." He goes at length into the failure to provide sufficient food and shelter which was far more serious at the South than at the North, and considers the reasons and responsibility for it. Then he says: "In the brutal treatment of prisoners by punishment and shooting, the two sides may be said to have offended in about the same degree." This is the most startling statement in the book and it is to be regretted that no quotations in support of it are given. A careful reading of the paragraph (p. 506) at the head of which it stands is likely to leave the reader unconvinced, unless he is ready to accept without question the correctness of Mr. Rhodes's judgment. Proof which might be found in the solid page (509) of references to the Official Record is practically inaccessible to the general reader.

The author says further: "All things considered, the statistics show no reason why the North should reproach the South." Here again he may fail to take his readers with him, for after reading the five pages describing the suffering at Andersonville, much of which might easily have been prevented by providing shelter and a larger inclosure, one finds nothing at all comparable to it in the few references to some harshness in the treatment of Confederate prisoners at the North. One may also ask whether Mr. Rhodes, in trying to locate responsibility for the horrors of Andersonville, does not make too much of General Grant's stoppage of exchanges, when, as Grant wrote from Petersburg August 18, 1864, "At this particular time, to release all rebel prisoners North would insure Sherman's defeat and would compromise our safety here" (p. 500).

Although Mr. Rhodes's discussion of the treatment of prisoners leaves something to be desired, we welcome it as one of his most important contributions to correct understanding and sane judgment on a topic concerning which a dispassionate view is still difficult.

Of special interest is Mr. Rhodes's view of what Mr. Lincoln would have done if he had lived. He believes that the great president, by his influence and tact, would have completely succeeded in bringing together Congress, the Southern whites, and the negroes, into harmonious coöperation, so that under him "reconstruction would have been a model of statecraft which would have added greatly to his fame."

C. H. SMITH.

Yale University.

*The Growth of the Manor.* By Dr. P. Vinogradoff, M.A., Hon. D.C.L., Corpus Professor of Jurisprudence in the University of Oxford, late Professor of History in the University of Moscow, New York: The Macmillan Co., 1905—pp. vii, 384.

Since the publication of *Villainage in England*, twelve years ago, the author has been known as one of the foremost authorities on English institutional history. Russian by birth and training, he won the signal honor of a professorship at Oxford in 1903, and the present book is based on a course of lectures delivered there in 1904. The title will seem, to many American readers, insignificant. To those, however, who concern themselves with economic history, it will present the first and greatest problem with which they have to deal: the institutional development of Europe in the period, lasting some seven hundred years, from the German invasions to the final establishment of the feudal system. The problem has all the interest and all the difficulties which attend a study in origins, and has engaged for years the attention of some of the ablest institutional historians. Vinogradoff does not essay the adventurous course followed by predecessors like Meitzen and Kowalewsky, who have attempted to settle the problem in all the many forms it took in different countries, and has confined his book to a study of the growth of the manor in England. He has resisted, on the other hand, the temptation to narrow his field to the discussion of special points, of which so many are still in dispute. He has summarised the work of others and combined it with his own investigations and conclusions, and has produced a book which is, without question, the most important treatise now available for students and scholars who seek a knowledge of the subject. The style is simple and clear, and except for the arrangement of paragraphs, which run unbroken sometimes for three pages and more, no criticism can be passed on the construction of the book. A brief index is provided, and copious

notes supply references, citations of authorities, and brief discussions of mooted points.

In all parts of the field which he traverses the author shows a masterly command of the sources of institutional history. The reader knows scarcely whether he should render the most admiration to the industry with which material has been collected, from many different languages, from printed and manuscript sources, from books and review articles, or to the sagacity and sobriety with which this material has been used. In erudition Prof. Vinogradoff stands without a peer. It must have been by design, not by accident, that he makes (so far as the reviewer noted) no reference to the work of his countryman and former associate, Maxime Kowalewsky, now appearing in a German translation, *Die Ökonomische Entwicklung Europas bis zum Beginne der kapitalistischen Wirtschaftsform*. Vinogradoff and Kowalewsky cover the same ground, in part, and agree in many of their conclusions; Kowalewsky is less profound, but the reader would be glad to have Vinogradoff's criticism in regard to some points, the questions, for instance, of cooperative ploughing and the size of the early ox-team.

The scope of the book can be indicated by naming its important divisions, with the number of pages of text and of notes of which each is composed; the pre-English period, 86, 30; the old English period, 120, 56; the feudal period, 76, 16. In the chapter on Celtic Tribal Arrangements the author, though necessarily following in general the path which Seebohm opened, has made independent use of the material, and differs in some important points from his predecessors. Notably this is the case in the position ascribed to the chief of kindred; Seebohm makes the head of the *teue* the patron of a comitatus, giving stock to young men, while Vinogradoff denies to the tribal chief any special functions of importance, and believes the patron to have been a feudal official who had succeeded to a tribal prince (pp. 22, 31). Vinogradoff opposes the reaction from the old-fashioned idea of a primitive democracy to the modern notion that in early society a small number of idle warriors lived on the drudgery of the mass of the people. He suggests that "in a country with predominant grazing and hunting pursuits, very scanty cultivation, most imperfect ways of communication, poor markets and weak state control, . . . the arrangement of society on the basis of slavery or of serfdom is not so easily carried out as many suppose" (p. 27). In Wales, at any rate, he finds nothing to correspond to the picture which Hildebrand and Wittich have given

of the primitive Germans. He finds in Wales a fairly even division of the people into free tribesmen, and "natives," partly free. "Both are harnessed to the same yoke, although the natives had to draw a heavier burden." They were burdened with similar payments and services to the rulers to whom both classes were subject; one class did not live upon the other. The contrast with manorial organizations is apparent.

The author finds nothing in the Celtic evidence to support Meitzen's theory of national modes of settlement, and in his second chapter, *Roman Influence*, ascribes the rise of the communal institutions of the early middle ages to a group of forces: "tribal survivals, extensive semi-pastoral methods of husbandry, settlements which involved a good deal of intermixture of rights, the necessity for territorial lords to organize their districts and possessions, not on the principle of the steward's absolute rule, but on that of tributary self-government" (pp. 67, 113). The chapter is taken up partly with an appreciation of Roman influence on Britain, and partly with a discussion of Roman influence on land tenure and on the development of great landed estates. The views of Fustel de Coulanges are, of course, mentioned, but are dismissed with a very brief refutation. This scholar and the methods which he illustrated are out of date. It is impossible to indicate here all the features of the picture of later Roman development, which Vinogradoff has constructed. Attention may be called only to the new light in which he puts the colonate, as a means of improving the condition of freemen (pp. 77 ff.), and to the conjecture that the home-farm (the *demesne* of the later manor), worked by tenants of the estate, become general only in the Carolingian period and later (pp. 80, 111). The author does not deny the important influence on labor development of the Roman lordship and villa. He does, however, contest their adequacy to explain the manorial system, and he succeeds in this as in other parts of his book in showing that a very simple theory will not solve a very complex problem.

The complexity of the problem appears as the author attempts, in the second part of his book, to reconstruct the Old English organization, and it is difficult to do justice to his views in an abbreviation. He finds a society in which there were dependents, but in which the bulk of the people were free kinsmen, warriors and workers in one person (202). The equality of the freemen was the key-note of the organization. It explains the equality of landed possessions which, in Sechohm's view, pointed to seignorial influence (pp. 204,



266). It explains the open field and the scattered strips, a system which was bad from the standpoint of agriculture but which was peculiarly suited to the requirements of a community of shareholders who held equal shares (*tudes*) in their villages (pp. 151, 176). The free village committees were organized groups, with powers which Maitland has been unwilling to allow them (pp. 165 ff., 187, 258, 270).

Little by little, however, the kindred organization proved incompetent to provide for the needs of society. An aristocratic class grew up, on a military and ecclesiastical basis. In various aspects military, political, economic, the lesser freemen declined in importance; the middle class disappeared (pp. 212 ff.). Patronage grew in power and extent, and patrimonial justice spread until, about the year 1000, the normal Englishman was supposed to have a jurisdictional lord above him. The economic elements of the manorial system became apparent as feasting dues and farms gave place to rents and labor services on the lord's *demesne*.

There were feudal and manorial elements in profusion in Danish England, but they were sporadic and various, conflicting with each other and with remnants of earlier conditions. The influence of Norman kings, as seen in the Domesday inquest, reduced this confusion to order and system by the merciless sacrifice of individuals and classes who did not readily fit into the feudal scheme (pp. 291 ff.). The conquerors found manors in England, but they also made manors where none had existed before. "An estate with a hall, however small, a district with a grange or a counting house, a tract of land in a single person's possession, were termed manors and became virtually the centres of attraction of tenure and service, if they were not so before" (p. 301). The manorializing process continued after the time of Domesday, but at this point the author could regard his sketch of the development as completed. In two concluding chapters he considers the English manor in its finished form from three points of view: as an estate surrounded by tenures, as a social combination of military ruling and dependent working classes, and as a unit of local government. He has already contributed to our knowledge of the manor in this period, and its main features are well established. Students will treasure, however, from the pen of such an adept in legal analysis as Prof. Vinogradoff, this survey of the manorial constitution in its different aspects.

*The Clothing Industry in New York.* By Jesse Eliphalet Pope, Professor of Economics and Finance, University of Missouri Studies. Published by the University of Missouri, September, 1905.

The slenderness of the author's acquaintance with the actual conditions obtaining in the clothing industry in New York, is indicated by the omission of all reference to the decision of the Court of Appeals in the case *in re Jacobs*, promulgated in 1885. This decision fastened upon New York, to the present day, the system of manufacture in tenement houses with all the accompaniments of congested population: child labor in the home, endemic disease (especially tuberculosis), epidemics bred in remote places to which New York products convey germs of infection and, finally, the degradation and pauperism of tens of thousands of working men, women, and children.

These conditions exist upon a scale so vast, so obvious, so well-attested by physicians, nurses, inspectors, settlement residents, and charity visitors, besides all the garment-makers themselves, that it is bewildering to read the following passage with which the author closes his concluding chapter:

"No industry has, in the same length of time, wrought so much good in the lives of those dependent upon it, and no single industry has done so much to administer to the happiness and well-being of the masses; for it has furnished at a cost within the reach of all, an abundance of one of the prime necessities of life."

The student will do well to ascertain for himself how ill this roseate view is sustained by the official information referred to in the Bibliography of sources cited (pp. 295-299) (omitting, perhaps, the somewhat irrelevant foreign works), but adding without fail the omitted decision of the Court of Appeals of New York, *in re Jacobs*, which is the key to the present evil plight of the needle trades. In the interest of the public health, this decision will doubtless be repudiated or reversed in the near future. Meanwhile, it is the most vital factor in the tragic problem of the clothing industry in New York. For lack of it, the present volume is Hamlet without the Prince.

FLORENCE KELLEY.

New York

*The Story of the Congo Free State: Social, Political and Economic Aspects of the Belgian System of Government in Central Africa*  
By Henry Wellington Wack. New York and London, 1905—pp. 634. 125 illustrations and maps.

This book contains an immense amount of information regarding the Congo State. The steps by which the conception of an African empire were worked out in the mind of Leopold II., and the means through which the State was constituted, are told here rather better than in any other one volume known to the reviewer. Documents and parts of documents fill generous appendices and are interspersed in the text. Illustrations and maps are well selected and produced. The book should yield much to any student of African politics.

But confidence in the treatment as a whole is sadly undermined by the realization which soon breaks over the reader, even if he has not scanned the preface, that the whole thing was written with a purpose. The author has more proofs for his statements than Mr. Fox-Bourne for those set forth in "Civilisation in Congoland;" but the spirit of partisanship is about as marked in one case as in the other. Misgivings arise as to whether in either demonstration the evidence may not have been selected, interpreted under bias, or otherwise rendered questionable to the critical mind of the lover of objective data. If any one really has the wish to neutralize the views spread by interested agents, he ought the more strictly to assume the appearance of impartiality—to avoid a plethora of italicized phrases, exclamation points and other appearances of evil. This author betrays the partisan on almost every page. This work will have to be passed on with all the rest to the historians of the next generations; we shall scarcely know the full truth of the matter in this.

The thesis proposed is the old axiom that the love of money is the root of all evil; that agitation against the Congo State and its irreproachable founder centers somewhere near Liverpool. Citations from the Continental press in support of this view are naturally not hard to find; and a few are gleaned from American papers. As a sort of corollary to this commercial explanation comes the religious or sectarian one; certain disgruntled missionaries in England and America are said to have stirred up a propaganda all out of proportion to their real and generally subjective grievances.

In any case an enthusiastic whitewashing does little good. On the face of it the ground-conditions are something as follows—they

cannot be other than general. A relatively feeble political power, exercised locally by agents unused to the physical and other strains connected with the management of tropical dependencies, owns a Naboth's vineyard in one of the most irreclaimable areas of the earth. The prospective heirs of this legacy are not yet sure that they want it. The common excesses of Europeans in the tropics have taken place, and they have not been promptly and ostentatiously punished. Here is ground for the lodgment of all sorts of political and economic protests under the all-justifying cloak of outraged humanitarianism. The Congo State represents a natural condition with locally vulnerable points of attack. And, as for Leopold, he is either a benefactor of humanity or the "greatest international bandit of modern times."

Comparisons might be fruitful. Are the conditions worse than they were in Cuba before 1898? or than they are in parts of Netherlands India today? Is Dhanis or Karl Peters more to blame? Are the English missionaries acting from as high intelligence and as lofty motives as they did in the late Boer states? How about the scalping of Indians practiced by the pious New Englanders? Or, to drop the irrational *tu quoque*, might we not compare the "curse of rubber" with the curse of gold, or diamonds, or furs, or opium, or any of the rest of the historical or contemporary curses which fall upon the weaker in the struggle for existence of societies, just as the curse of alimentation has fallen upon the defenceless animal through the ages?

The present volume, in its controversial part, is useful in presenting the other side, as against Dilke, Fox-Bourne and their supporters. Its elaborate collection of data not especially bearing on the "Congo Question" is the more immediately valuable to the student.

A. G. K.

*A History of Mediaeval and Modern Europe.* By Henry E. Bourne, New York: Longmans, Green & Co., 1905— 8vo, pp. xxii, 502.

In the volume under review, Professor Bourne aims to give an account of European History which shall accent the features of the development common to European peoples as a whole, and subordinate the details of the different countries. He has met with reasonable success in this aim as well as in the effort to adapt the narrative to the needs of secondary school students; for it is this audience rather than that of the college that the author appears

to have had in mind. The style on the whole is excellent, simple, remarkably free from technical terms, and abounding in effective illustrations.

The form and bibliographical equipment of the volume are those usually found in text-books, but it would be a convenience if the table of contents mentioned the fact that the book contained an appendix, giving a list of books referred to throughout the volume, an index, a list of maps, illustrations, and genealogical tables. In the list of books, to the information given about each, there might have been added the price of the book—given in some cases—and also the place and date of publication.

This list is supplementary to the bibliographies at the end of each chapter, where, besides a summary of topics for review, the author gives a list of books under the heading, "Further Study." This list is divided into "General Reading," "Paragraphs," under which there are given detailed references to various books for each paragraph in the chapter, and finally "Additional Reading," where there are references to the more detailed works on the general subject of the chapter.

In the illustrations Professor Bourne has scored a distinct hit; with the information appended to them, they epitomize much of the development of which he is treating. To this graphic representation of the stream of history the maps also effectively contribute; they always suggest the political changes both before and after the date they especially illustrate, and in a good many cases comprise new material; in artistic effect, however, they are not up to the standard set in some of our recent text-books.

The index, while in some respects it is not as detailed as it might be, contains two features worth noticing. After the names of important persons there are printed the dates of birth and death, and the pronunciation of difficult, especially foreign, names is also given.

CURTIS HOWE WALKER.

Yale University.

*The Progress of the German Working Classes in the last Quarter of a Century.* By W. J. Ashley. London: Longmans, Green & Co., 1904—pp. xii, 164. Price 1s. 6d.

In this useful little volume, Professor Ashley sets forth a large number of important data bearing on the well-being of the masses of the German people, and has no difficulty in showing that to refer



to Germany as an awful example of the results of a protective policy is to advance an argument which will not bear close examination. Perhaps the most noteworthy feature of the book is the emphasis which it lays on the complex nature of social movements, and the difficulty of assigning them to simple causes. If this lesson of the book be thoroughly learned, there is no reason why the facts and comparisons set forth should incline the reader to take the side, in the current tariff controversy in England, on which the author ranges himself, rather than the side of the free traders. The differences in social structure between Germany and Great Britain are very important. But, to take one example, the preservation of the small freeholders, and the consequences to the agricultural situation, may perhaps be due in less degree to the tariff policy of the German Empire than seems to be implied in the discussion of this topic which is offered in the book. The reference to the disappearance of the small freeholders in England, under the influence of free trade in agricultural products, recalls to the mind sundry lamentations over the vanishing yeomen of a time considerably antedating the corn-law agitation.

Some free traders have, doubtless, made use of a perverted presentation of facts, and have failed to treat the facts actually presented in a scientific spirit, when seeking to score a point in controversy, and especially in appeals to popular prejudice and ignorance. But the supporters of the existing tariff régime in Great Britain have no monopoly of such unscientific controversial methods. We have seen it seriously argued that the relatively greater progress made, during the last thirty years, by Germany and the United States, in foreign trade and in manufacturing industry, is a clear proof that, ever since the fruits of free trade have had time to mature, Great Britain has found them to be disastrous. This conclusion, equally with those which Professor Ashley combats in his book, will undoubtedly need revision in the light of a careful study of facts, and of their bearing on the matter at issue.

The author rightly argues that many other influences besides the tariff have been operative in producing the actual state of well-being, or the reverse, in each country. Would it not be a reasonable application of his principles to ask if the remedy for admitted evils, and the best mode of promoting that unity of national sentiment within the British Empire which many of his opponents in the tariff controversy desire as earnestly as he does, may not be found in other measures than a revised tariff of customs duties? On one

point in particular we are tempted to apply this remark. In considering the relation of wages, the price of commodities, and family well-being as dependent on the money available and what it will buy, it is pointed out, and we believe justly, that the average German gets better results from smaller means than the average Briton. In the relation between work and welfare, efficiency in spending may be at least as important as efficiency in earning. In the modern world we seem to be in danger of sacrificing the satisfactions of life in the struggle to procure the wherewithal to maintain life. Production is after all not an end in itself but a means, and is not the sole and sufficient means towards the real end in view. As an example of careful, and practically unbiassed, treatment of the topic discussed, Professor Ashley's little book is very welcome. It will, it may be hoped, make known to many readers some facts not widely known in England, and even though the studiously fair attitude of the author should induce some of those readers to accept his opinion on other matters without considering the data and arguments on which that opinion is based, the general effect of the book is likely to be beneficial.

A. W. FLUX.

McGill University.

*Comparative Religion, Its Genesis and Growth.* By Louis Henry Jordan, B.D. (Edin.), with an introduction by Principal Fairbairn, D.D., LL.D., D.Litt. New York: Charles Scribner's Sons, 1905—pp. xix, 668.

There have been published various manuals of Comparative Religion, but none of the encyclopaedic character of this work. The introductions and hand-books of Saussaye, Tiele, and Jevons, for example, are concerned with principles and illustrations; but they do not attempt to view all things from the point of view of the hierologist. Mr. Jordan's aim has been more ambitious. He reserves for treatment in future volumes the "principles and problems" of the science, its "opportunity and outlook," while in the present volume he surveys mankind from Edinburgh to Peru and touches on every conceivable topic which has even a remote connection or analogy with the study of religion. So painstaking is he that he traces the origin of comparative religion safely back of Max Müller, though not without some natural trepidation, and so broad is his interest that he devotes a page to comparative hygiene and discusses the question of the cause and cure of cancer. The whole world is included in his survey of the origin and progress of

the new discipline, in the treatment of which he has perhaps contributed most to his general plan, at least in giving for the first time an adequate account of what is done, in Europe and America, for the new science. Such statistics as are here presented can be gathered only at great expenditure of time and labor. In the case of many countries it was difficult to obtain any answer to questions addressed, so that the author had either to omit all references to such countries or to give a misleading account, or, as a "third alternative," to content himself with naming only two or three prominent representatives of the study. Wisely, Mr. Jordan took the last course. With this exception, therefore, there is scarcely an omission to be noted in the comprehensive survey which makes a great part of this introductory volume. Some additions or changes for the next edition are so recent that they were probably not available at the time of writing. Thus on p. 58 Professor Woodberry should no longer be ascribed to Columbia University but, if we are not mistaken, to Amherst College. Among colleges where lectures on comparative religion are held in this country should be included Smith College in Northampton, Mass. To the American Lecture Series comes now, in addition to those mentioned, the lectures of last year by Dr. Knox on *Japanese Religions*.

As intimated above, the author's catholicity is perhaps his weakest point, and this is the chief fault to be found with his book. It should be emphasized in order that the following volumes, when they appear, may be cleared of what looks dangerously like stuffing. It was an excellent idea to treat (briefly) other comparative disciplines, but little more than a bare mention was requisite. It argues a lack of proportion and fitness to discuss, in a book on comparative religion, the problems of comparative anatomy and hygiene. How comparative all work has become may be seen at a glance in the list of sciences discussed: "comparative anatomy, philology, grammar, education, philosophy, psychology, literature, history, geography, antiquities, art, architecture, agriculture, forestry (with an incongruous discussion as to the area of a district requiring to be wooded, as if this had the slightest interest for comparative religion), statistics, ethnology, mythology, sociology, hygiene, physiology, zoology, jurisprudence, economics," and finally "comparative colonisation,"—all these in the main list, with a side glance at comparative civics, politics, symbolics, liturgies (these two should be put under the book-topic). What, in short, is not comparative?

Another fault in arrangement is the duplication of what should be simple. Andrew Lang is not a very important writer, but he is

discussed and rediscussed in different sections from various points of view, whereas a short summary of his work and worth would have sufficed and been much more convenient. So we have the important subject of comparative hygiene first under the above head and then offered later on as a "selected illustration" of the beauty of the comparative method. As to Max Müller, he appears at intervals all over the book and in the appendices, although all the writer wants to say about him is that he did elementary work but can not be regarded as in any sense a great scholar in comparative religion, still less as its founder.

The most glaring offence in the work of Mr. Jordan is his gaudy 'charts,' one of which makes the frontispiece. It represents (in Yale blue) the adherents of Christianity as more than twice as numerous as those of any other religion, and as such will be a joy to all missionary societies. The author's defence for publishing such a chart is weak. He says in very fine print in an appendix that the chart gave only a "tentative" answer to a question "continually being asked," but adds: "That the several estimates are in certain particulars open to argument, is no sufficient reason why they should not frankly be published." "Frankly" is good—as a joke, but Mr. Jordan is from Edinburgh, where jokes are not known, and he is very conscientious and exhaustive, so his charts are probably due to an endeavor to leave out nothing, however much it may redound to the glory of the true faith. In another passage Mr. Jordan is excessively frank; he tells us why Christianity is better than any other religion.<sup>1</sup> It is to be hoped that in his future volumes the author will eradicate everything of this sort. There is no objection to a teacher of comparative religion having a religion, but the less he lauds his own religion the more confidence does he inspire as an impartial student.

It is not easy, all things considered, to appraise this volume in a word. In a word it is good, in a word it is disappointing. It contains too much, attempts too much, it is irritating; but on the other hand it is a very thorough and comprehensive work, especially to be recommended for reference to out-of-the-way information, the work of an "earnest and laborious student," as Principal Fairbairn says in

<sup>1</sup>Were it not impossible, one would think that the author was joking also in saying on p. 357 (he is seeking to show that Christianity is set apart from every other faith and is absolutely unique) that "Christianity might well, indeed, prove, upon examination, to be a unique Religion, for it can be shown that, in its connection with Jesus of Nazareth, it enjoyed an absolutely unique distinction." This is as undeniable as the uniqueness of Buddhism in its connection with Buddha!



his Introduction, whose work has caused him to "sunder friendships and surrender pastoral ties" in an absorbing interest in his life occupation.

E. WASHBURN HOPKINS.

Yale University.

*The Common Sense of Municipal Trading.* By Bernard Shaw.  
London: A. Constable & Co., 1904—pp. vi, 120.

It was once remarked of a novel by J. A. Froude that for interesting fiction one should go to Froude's "history" and for accurate history one should go to his fiction. It may be said of Bernard Shaw that for penetrating common sense one should study the seeming paradoxes of his plays, and for unconvincing paradox some parts of his "Common Sense of Municipal Trading." In this book the author apparently attempts to curb his usually caustic style, presumably in order to catch the ear of such dull but important citizens as his own Mr. Roebuck Ramsden. Occasionally, however, the voice of Jacob betrays the deception, and it is then that he becomes most convincing (not to the Ramsdens), as in his denunciations of the poor widow in her attempts to maintain respectability (p. 70), or in his recommendation that a bishop who urges the poor to save should be indicted for incitement to crime (p. 97).

It is not easy to determine the real aim of the book. If the author's purpose is to convince the public that there is no universal objection to municipal enterprise, that such undertakings are sometimes wise as well as sometimes foolish, his work is well done, though the public hardly needs further conviction on that point. Such an attitude seems to be suggested by his recognition of the limits to municipal activity, and even more by his admission (p. 14) that the offer of a private capitalist should be accepted, if it promises better results. On the other hand, he begins his preface by recalling the title of a child's book, "Reading Without Tears," and suggests as a corresponding title for his own, "Municipal Trade Without Figures." He continues: "The question of whether municipal trading is sound in principle cannot be settled by the figures of this or that adventure in it." That child's book was probably a forerunner of the wretched modern devices for securing knowledge without effort, and for the practical purposes of actual policy, great effort in the way of a searching inquiry into experience and expediency is essential. In other words, whatever may be said of the "soundness of the principle of municipal trading," the sound-



ness of "this or that adventure in it" cannot be determined without a careful study of the figures.

The author is a socialist and might argue that, as a preliminary step toward collectivism, the principle of public ownership should be established *coûte que coûte*. But since he distinctly refuses to take this stand (p. 117), his arguments must meet the tests of expediency. In this regard he is not wholly convincing nor even consistent, when considering such practical questions as municipal efficiency in the matter of capital and management. For instance, his roseate picture at the outset of the borough treasurer, who by a wave of the magic wand can receive unlimited capital at minimum rates and with no fear of over-indebtedness, is offset by the later and very sound remark that "over-capitalization is as possible, if not as probable, in public as in private finance." In the matter of management the municipality, he thinks, need go only to the "ability market." Of course it won't pay the market price, but according to Mr. Shaw's theory this will not be necessary, since the able manager will find so many other great advantages as a public official that he will be content with a smaller income. These advantages are found in the fact that he can enjoy this income to the full; that is, he need not keep up appearances; need not entertain; may go on foot rather than keep an equipage; may travel third class, and live in the most unfashionable neighborhood. Mr. Shaw's influence on mankind, however, must increase greatly before these advantages will prove effective.

It would take a much larger space than has been given to criticism to give adequate credit to the striking value of the book. The chapters on the "Difficulties of Municipal Trading" and the "Municipal Audit" are admirably clear and discriminating, but these could perhaps have been written by other people. On the other hand, the chapter on "Anti-Social Industrial Reactions" could not have been written by anybody but Mr. Shaw. Here he probes deeply into some of the hidden factors of business success with the same method of piercing through the complacent appearances of social relations which marks his more literary productions, and justifies his assertion that: "the balance sheet of a city's welfare cannot be stated in figures. Counters of a much more spiritual kind are needed, and some imagination and conscience to add them up as well." The criticism that a study of the figures is necessary should not blind one to the fact that they are not all, and every reader must find his "imagination and conscience" awakened by a perusal of this book.

H. C. Z.

*Robert Owen, sein Leben und seine Bedeutung für die Gegenwart.*  
Von Helene Simon. Jena: Gustav Fisher, 1905—pp. xi, 338.

One scarcely knows whether a new life of Owen appearing at this date is a tribute to the importance of the man himself, or to the unlimited industry of German writers. It is certainly an age when the pursuit of the forerunners of modern doctrines has become the rage, and there seems little doubt but that due honor will be given in these days to any thinker of the past who had an idea in advance of his time. The author of this new biography in fact justifies its appearance on the ground that the reaction against hero-worship has led to an excessive attention to minor personalities, and from this promiscuous distribution of honor she would rescue Owen and place him on the higher pedestal which he deserves. Whatever a man may be to his valet, almost every man is a hero to his biographer, and it must be admitted that, in the field of economic reform, few men present a nobler figure or more inspiring personality than Robert Owen. If his career is already well known to English readers from the works of Jones, Holyoake, Sargeant, R. D. Owen, and others, and if he has received his full mead of praise from many historians of the social movement, it should be remembered that the object of this latest biography is not so much to add to this knowledge as to present it to a new public. This purpose has been admirably accomplished by the author's clear and readable account.

There are four phases to Owen's activity, his career as an idealistic employer, who proved that profits did not depend on the exploitation of labor, his participation in practical reforms of the time, his utopian experimentation in this country and his theoretical philosophizing. It was really in the first two of these activities that Owen's great work lay, and his influence in these regards is still felt to-day. As a theoretical writer our author gives him an important place as a founder of Socialism, but it is easy to exaggerate his importance here. That he foreshadowed many of the later ideas is true, but his most systematic teachings were along different lines and his socialism was never developed into a consistent system. In this respect Thompson, for instance, seems much more important. It is not necessary, however, to enter into a discussion which has led a recent German writer to the conclusion that Owen was socialistic but that the modern German socialists are not.

H. C. E.

## RECENT LITERATURE.

Dr. Washington Gladden has published under the title "Christianity and Socialism" (Eaton & Mains, New York) five lectures originally delivered before the students of Drew Theological Seminary. They deal with the social teachings of Christianity. Dr. Gladden does not believe in the practicability of revolutionary socialism of the German type, in spite of the increase in the strength of the socialist party. He does, however, believe that there is a "true socialism" manifested "in the habit of regarding our work, whatever it may be, as a social function." (p. 148.)

A small pamphlet with a very red cover written by "D. I. Sturber, Anarchist," and published by the Radical Publishing Company, San Francisco, bears the self-contradictory title "The Anarchist Constitution." It is commonly supposed that the anarchists who are true to the name desire the abolition of government, but this one has actually drafted an elaborate constitution in 225 sections, and supplemented it by his own comments. For instance, section 176 is thus elucidated: "We want no territory added to the United States like the Philippines were."

Under the title "L'Organisation Socialiste & Ouvrière en Europe, Amérique et Asie" the *Secrétariat Socialiste International* has issued in Brussels a book of some 500 pages in which are collected reports made by representatives of the party in the different countries of the world. These reports are naturally very unequal in fulness, and do not seem to have been subjected to much editorial revision. The great socialist party in Germany, for instance, has no special chapter, but is included in a sixteen-page report on trade unions in Germany. Over 100 pages are, on the other hand, devoted to the various revolutionary and socialist movements in Russia. The book cannot lay claim to the accuracy of a scientific, disinterested study, yet the tables giving the voting strength of the socialists in different countries for a series of years, and the lists of socialist unions and socialist organs produce the impression, which is probably correct, that those who call themselves socialists have been increasing rapidly in numbers of late years, and have their organizations in almost all modern countries, even in Spain and the Argentine Republic. How far the term socialist connotes the same thing in different countries and among different groups does not appear.

A third edition of Professor Seager's "Introduction to Economics" (N. Y., Henry Holt & Co., 1905) has appeared. Certain minor changes and corrections are made in the present edition, but the principal change is the addition of two chapters upon the subject of public finance. These chapters, covering fifty-six pages, treat of public expenditures and public revenues, and of taxation and tax reform in the United States.

Mr. A. L. Bowley's "National Progress in Wealth and Trade" (London, 1904, pp. 88) came as a welcome little book of information, both impartial and authoritative, in the midst of much conflicting ephemeral literature regarding British "decay." It is not so much for its material, which is necessarily scant considering the range of topics covered in short space, that the book has value, but rather for its character as a standard by which to judge the more voluminous material of the Board of Trade publications, the Tariff Commission Reports, and other less official documents. If his rules for guidance are kept in mind by the ordinary reader or popular author, and his own example in their application, we shall have fewer doubtful inferences from insufficient data appearing for the further confusion of the public.

Mr. James A. LeRoy in his "Philippine Life in Town and Country" (New York, G. P. Putnam's Sons) has presented the most satisfactory account that we have seen of the subject. It is based on first hand knowledge of the actual conditions and of the earlier history of the islands and is characterized by a sane and liberal spirit. The student of colonial institutions will find much of great value to help him understand the Philippine situation. To those who are planning to go to the Philippines to engage in some branch of the public service, this little book should be indispensable.

P. E. Fahlbeck's "Der Adel Schwedens (und Finland's) Eine Demographische Studie" (Jena, 1903) constitutes the German edition of a work hitherto rather inaccessible. It is a careful survey of the rise, propagation, and decline, of a well-marked social stratum, and forms another of those wider genealogical documents, by reference to which the problems of human heredity may sometime be more satisfactorily attacked. The general method of treatment can be briefly indicated by noting that the volume is one which falls in with the spirit of the work of Francis Galton. It is probable that the scientists of the outlying European states are in an especially favorable position for the prosecution of such studies, for the very reason that ethnic and class amalgamation has not in those countries reached so confusing a degree of advance.

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